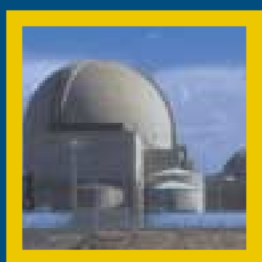
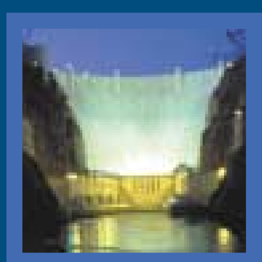
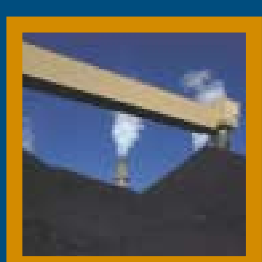
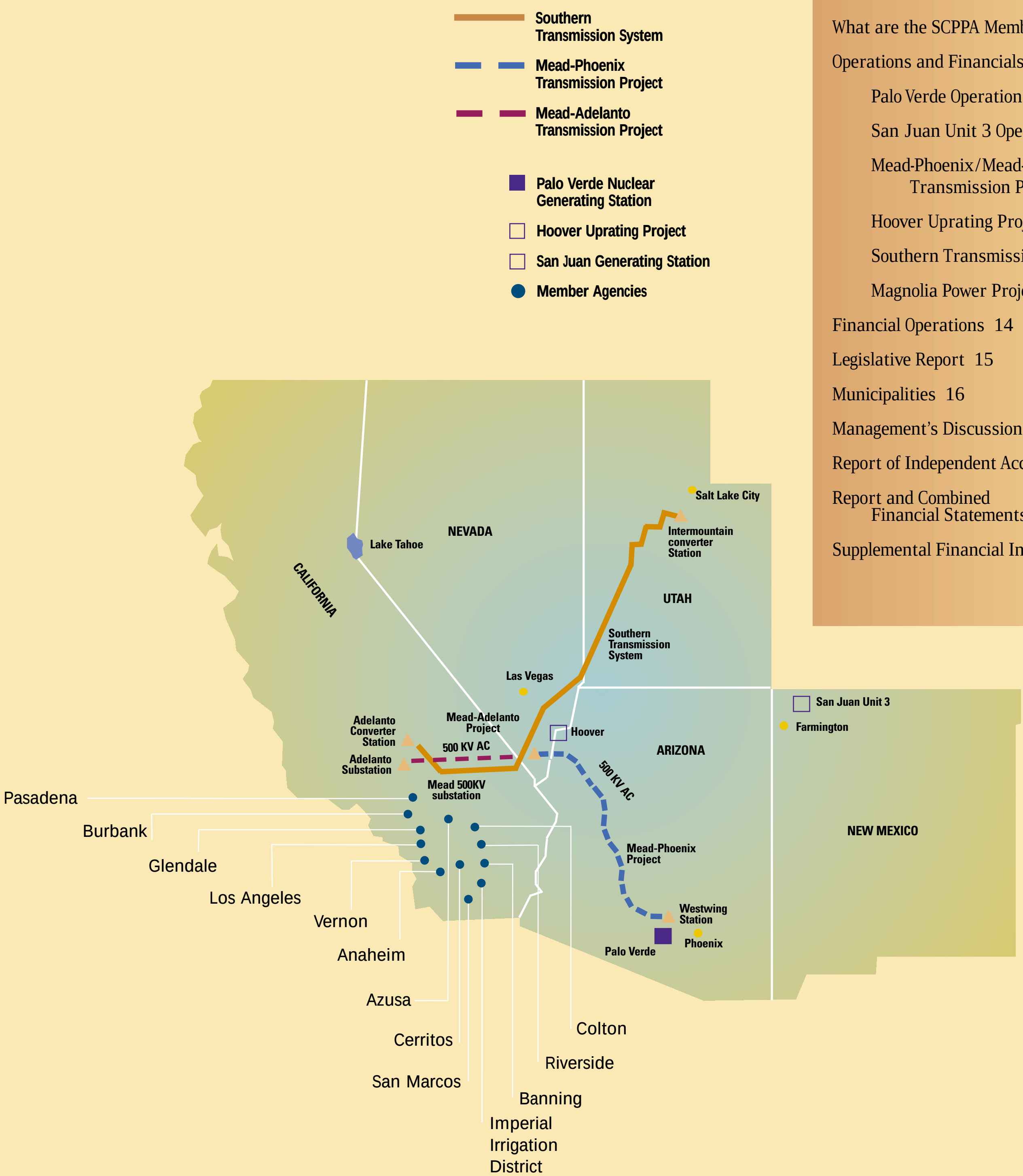
SCPPA Annual Report 2001-2002







SCPPA Members



MISSION

SCPPA will provide coordination, facilitation, implementation, and communication on issues and projects of mutual interest to the members as determined by the Board of Directors.

WHAT IS SCPPA?

The Southern California Public Power Authority (SCPPA) is a joint powers authority consisting of the original ten municipal utilities and one irrigation district, plus two new SCPPA member utilities who joined last year. SCPPA members currently deliver electricity to approximately 2 million customers over an area of 7,000 square miles, with a total population of 4.8 million.

The members are the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon; the Imperial Irrigation District; and the municipal utilities of Cerritos and San Marcos.

SCPPA was formed in 1980 to finance the acquisition of generation and transmission resources for its members. Currently, SCPPA has three generation projects and three transmission projects in operation, generating and bringing power from Arizona, New Mexico, Utah, and Nevada. A fourth generation project is in the planning/licensing phase.

The projects were financed through the issuance of tax-exempt bonds, backed by the combined credit of the SCPPA members participating in each project. As of June 30, 2002, SCPPA had issued $9.4 billion in bonds, notes, and refunding bonds, of which $2.6 billion was outstanding.

SCPPA's role has evolved over the years to include advocacy at the state and national levels, and various cooperative efforts to reduce member costs and improve efficiency.

VISION

SCPPA will provide cost-effective joint action services that supplement member programs and activities to assure continued member success.

SCPPA Officers

Bill D. Carnahan
Executive Director

Kenneth J. De Dario
President

Ronald E. Davis
Vice President

Ronald O. Vazquez
Secretary

President's Letter

"Through a combination of strategic planning and the continued development of new ideas, members and staff have made SCPPA more valuable than ever."

One of the main benefits of SCPPA is as a resource to its members, a tool which can be used to combine the voices and strengths of individual cities into a cohesive whole, to more efficiently solve problems and/or address common needs.

Whether it is forcefully stating a common position on legislation, or bringing economies of scale to projects and contracts for services, working together through SCPPA gives each member more influence and many more options.

The SCPPA Board in concert with the Executive Director has spent much time and effort over the past year or so in developing a Strategic Plan to help provide direction for the future. This Strategic Plan, which incorporates our Legislative and Regulatory Key Interests, is a dynamic document that will be periodically updated as needed.

One of the results of this effort is a full-time SCPPA employee in Sacramento following legislative activities and coordinating with the member-cities' advocates. This enables us to present a united front on issues of importance to public power, particularly SCPPA members, which gives us a greater voice in both the federal and state political arenas.

Through a combination of strategic planning and the continued development of new ideas, members and staff have made SCPPA more valuable than ever.

Kenneth J. De Dario

Kenneth J. De Dario
President

During these hectic and uncertain times in the electric industry in California, SCPPA's role continues to grow and evolve as we find new ways for joint action to bring value to our members. Our members continue to be highly successful by providing competitive rates and excellent reliability, while being sensitive to the environment. SCPPA is proud to be a part of that success.

Since SCPPA's creation in 1980, its traditional role continues to be providing 1) financing for the members' shares of large, jointly-owned generation and transmission projects, 2) oversight of the management of the various projects, and 3) opportunities to reduce capital costs of the projects through refinancing of existing debt.

In addition to continuing the historic role, SCPPA has developed new services for the members, such as:

• Increasing involvement in the legislative and regulatory processes through advocacy on behalf of the members in Sacramento and Washington, D.C.

• Coordinating the development of the SCPPA-owned Magnolia Power Project in Burbank, expected to begin construction in the spring of 2003.

• Providing a common forum for members in the development, administration, and reporting of public benefits programs, primarily through the Public Benefits Committee. These programs provide energy efficiency programs, conservation, and small renewable resource additions.

• Seeking state grants for energy efficiency on behalf of the members. To date, SCPPA members have received $9.1 million from the California Energy Commission.

• Working with the SCPPA Resource Planning Committee to develop and release a Request for Proposals for renewable resources. This effort could lead to member participation through SCPPA of up to 100 megawatts of renewable energy in projects such as wind, geothermal and/or bioconversion.

• Developing a comprehensive Strategic Plan, as well as Legislative and Regulatory Key Interests, to provide a common vision for SCPPA and the members.

SCPPA's historic roles are just as valuable to the members as ever, but the addition of new roles ensures that SCPPA will continue to provide increasing value to our members well into the future.

Bill Carnahan
Executive Director

"SCPPA will continue to provide increasing value to our members well into the future."

What are the SCPPA Members?

SCPPA's thirteen members are proud to be public power utilities, old-fashioned, customer-based, locally-controlled, and vertically-integrated, who retain the obligation to serve and plan for all the customers in their territories. In these times of change and uncertainty, it is important to realize all the things they are.

• SCPPA members are **non-profit.** They are owned by their local customers.

• They are **governed locally,** not regulated by the Federal Energy Regulatory Commission or the California Public Utilities Commission. Although they are certainly affected by what goes on in the regulated world, control is in the hands of local city councils, boards, and commissions.

• They are **vertically integrated,** responsible for power supply, transmission, distribution, and customer service.

• They are meeting their legally mandated **obligation to serve** by planning to meet the long-term needs of their customers through a combination of owned generation, long-term contracts, and short-term purchases.

• They are **optimizing their energy supply resources.** A mixed portfolio of coal, nuclear, natural gas, hydro, and emerging renewable resources gives protection from price volatility.

• They are providing aggressive, local **demand-side management programs** to encourage conservation and energy efficiency.

• They are **in good company.** The thirteen SCPPA members, along with their counterparts in the northern part of the state, provide 25% of the electricity used in California, with growing interest in municipalization by cities within IOU territory.

• And finally, **they are here to stay.** Public power has a history of more than 100 years in Southern California, and continues to be viable and strong.

Palo Verde completed another high production year, surpassing a 90% capacity factor for the fifth consecutive year.

For the seventh calendar year in a row (2001), Palo Verde Generating Station was the largest producer of electricity in the United States.

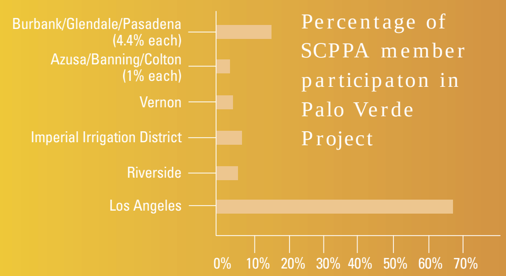
Palo Verde received its fourth consecutive INPO #1 rating (the highest possible) from the Institute of Nuclear Power Operations, and an all green rating (again, the highest possible) from the Nuclear Regulatory Commission, following extensive inspections by the two groups.

PRODUCTION COST
(Operation and Maintenance plus Nuclear Fuel)

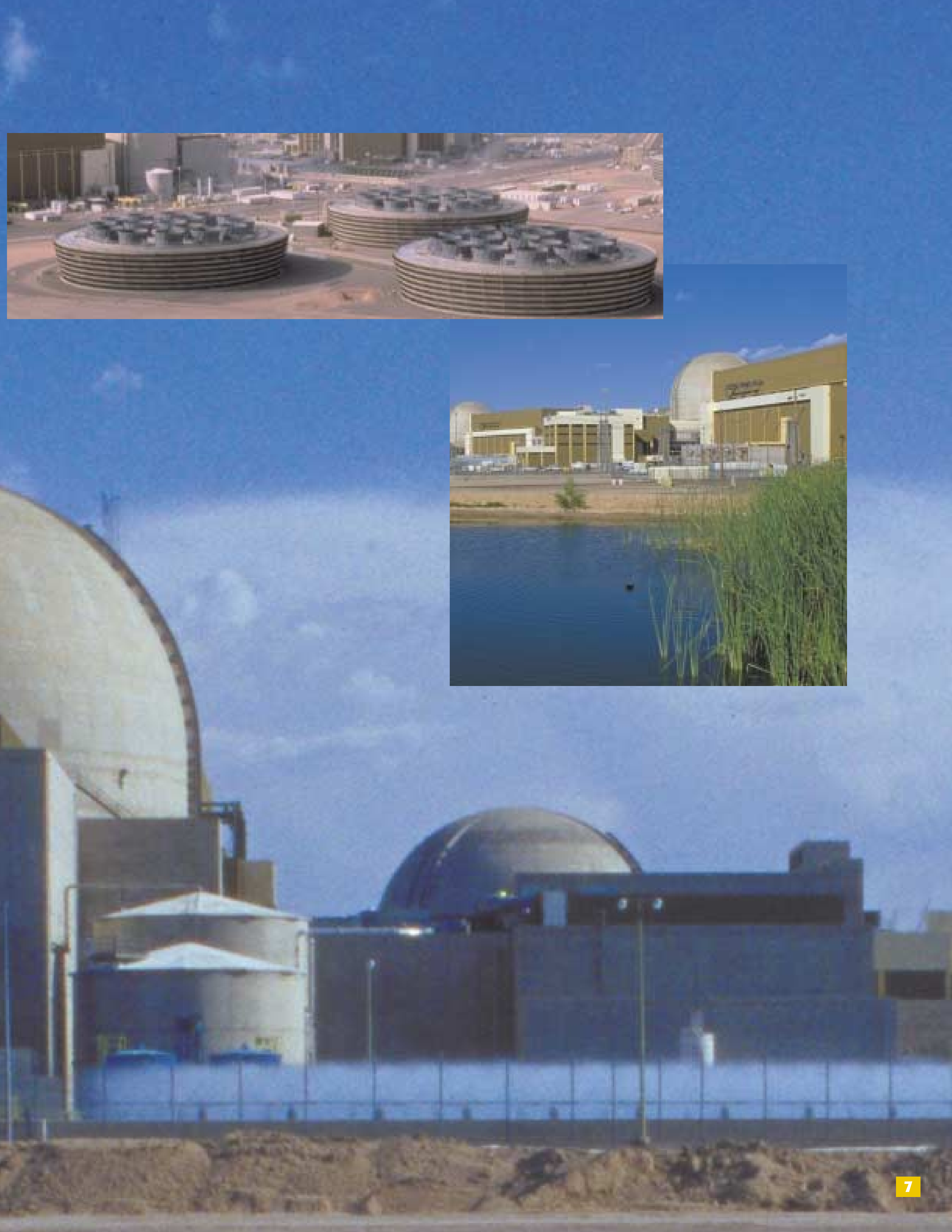
Calendar Year	Cents per kWh
1993	2.02
1994	1.93
1995	1.61
1996	1.45
1997	1.33
1998	1.28
1999	1.25
2000	1.25
2001	1.27

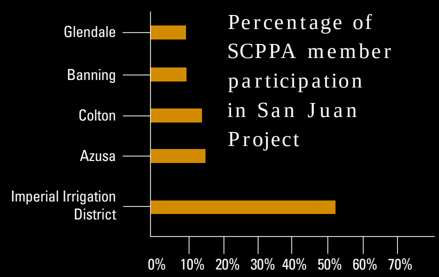
2001-2002 OPERATIONS

	Generation (Millions of MWHs)	Capacity Utilization (%)
Unit 1	11.0	100.7%
Unit 2	9.0	82.7%
Unit 3	9.7	88.9%
Aggregate	29.7	90.7%



Percentage of SCPPA member participaton in Palo Verde Project




Percentage of SCPPA member participation in San Juan Project
Glendale
Banning
Colton
Azusa
Imperial Irrigation District
0%
10%
20%
30%
40%
50%
60%
70%

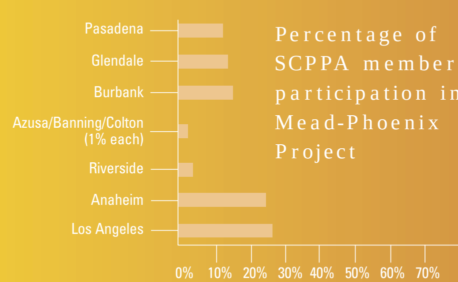
San Juan Unit 3 Operations

Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station, a coal-fired plant in New Mexico. A series of Interim Invoicing Agreements for fuel has led to high capacity factors and lower per unit fuel costs.

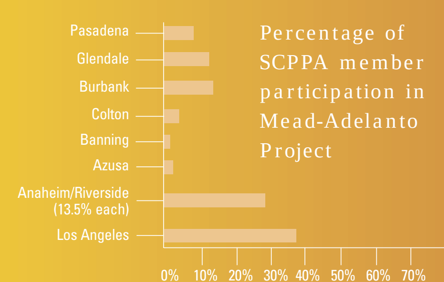
After two decades of surface strip mining at the adjacent coal mine, operations are poised to transition to long-wall underground mining. Full station supply from the underground mine is expected early in 2003. Fuel from the underground mine will be both lower cost and lower ash, yielding added benefits in efficiency and maintenance costs.

Mead-Phoenix/Mead-Adelanto Transmission Projects

The two 500-kV transmission lines, which connect Phoenix to Las Vegas, and Las Vegas to Southern California, completed their sixth year of dependable operation for the nine SCPPA members who participate in the projects.



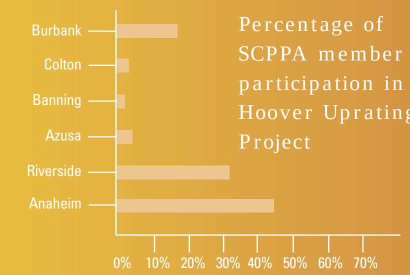
Percentage of SCPPA member participation in Mead-Phoenix Project



Percentage of SCPPA member participation in Mead-Adelanto Project

Hoover Uprating Project

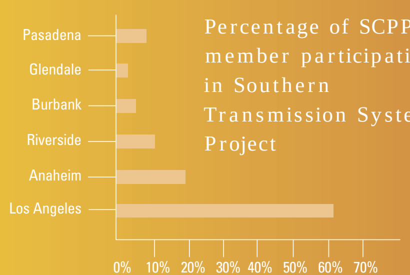
The Hoover Uprating Project continues to provide six SCPPA members with low-cost, renewable energy (hydro). A SCPPA representative is active in the development of the Lower Colorado River Multi-Species Conservation Program.



Percentage of SCPPA member participation in Hoover Uprating Project

Southern Transmission System (STS)

As usual, the STS operated with near-perfect availability (99.61%), delivering over 13.5 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the ±500-kv DC line.



Percentage of SCPPA member participation in Southern Transmission System Project

Magnolia Power Project

The Magnolia Power Project is a proposed 250 megawatt natural gas-fired, combined cycle plant, to be located on the site of an existing plant in the City of Burbank. It will replace an older, less-efficient, dirtier unit. The result will be more power from less fuel, with less pollution.

Planning is complete, and the project is in the final phase of the licensing process. If successful, the plant could be operational by spring of 2005, and would be the first project to be wholly-owned by SCPPA members. The current Planning Participants are Anaheim, Burbank, Cerritos, Colton, Glendale, Pasadena, and San Marcos.

Hoover Uprating Project Bond Refunding

On December 13, 2001, SCPPA completed a negotiated pricing and sale of $24,685,000 Hoover Hydroelectric Power Project Revenue Bonds, 2001 Refunding Series A. The issue, maturing through 2017, was sold at a true interest cost of 4.53 percent, producing an interest cost reduction of $2,880,549 on a net present value basis, or 10.25 percent of the refunded $28,095,000 bonds. The triple-A rated bonds were insured by Financial Security Assurance Inc. ("FSA"). FSA also provided a surety policy to meet the reduced debt service reserve requirement, freeing up $3,082,616 for the transaction. Morgan Stanley underwrote the issue.

San Juan Unit 3 Project Bond Refunding

On April 12, 2002, SCPPA took advantage of a market window and completed a negotiated pricing and sale of $125,330,000 in fixed-rate refunding bonds. The refunding of the 2003 and 2005-14 maturities, amounting to $118,050,000 from the Project's initial bond issuance in 1993, will produce net present value savings of $3,886,978, or 3.3 percent of the refunded bonds. Most of the cash flow savings from the sale of the Project's 2002 Refunding Series A bonds will be taken upfront ($3,985,508) to make funds available to the Participants to pay a portion of a buyout of the Project's contract for coal. FSA insured the bonds and AIG Matched Funding Corp. ("AIG") bid the highest interest rate on a guaranteed investment contract for the debt service reserve fund. The deal was led by bookrunner UBS PaineWebber Inc., with Bear, Stearns & Co. Inc. as co-senior. Co-managers included Salomon Smith Barney; Samuel A. Ramirez & Co., Inc.; and Siebert Brandford Shank & Co., LLC.

STS Project Bond Refunding

On April 24, 2002, SCPPA sold $63,940,000 Southern Transmission System 2002 Subordinate Refunding Series A bonds on a negotiated basis to refund $73,275,000 of certain STS bonds issued in 1992, maturing in 2002, 2003, 2018 and 2020. The refunding will produce net present value savings of $3,425,507, amounting to 4.67 percent of the refunded bonds. The Series 1992 debt service reserve fund of $8,279,745 was freed up and used to fund a portion of the escrow requirement. The new bonds were insured by FSA. Bear, Stearns & Co. Inc. senior-managed the transaction and Loop Capital Markets, LLC and Salomon Smith Barney acted as Co-Managers.

STS Project Swaption Exercised

On March 25, 2002, a Salomon Smith Barney affiliate (counterparty) exercised a right it purchased from SCPPA on February 1, 2001, to fix the rate of interest, effective April 1, 2002, at 4.25 percent on $125,000,000 notional amount of STS Project bonds. SCPPA, in exchange, will receive from the counterparty a one-month variable rate of interest equal to 60 percent of the London Interbank Offering Rate until July 1, 2022, or earlier if the swap is terminated. An upfront payment of $7,900,000 was paid to SCPPA for the swaption by the counterparty. After providing for expenses of the transaction, the upfront payment was used to pay interest on STS Project bonds, thereby reducing costs billed to the Participants in Fiscal Year 2000-01.

Other Refundings

SCPPA's Finance Committee continues to look for opportunities to lower financing costs through bond refundings and escrow restructurings. At year-end, refundings of additional STS Project bonds and San Juan Project bonds were under consideration.

Energy Policy continued to dominate both the federal and state legislative agendas in 2002. SCPPA member utilities participated actively in the debate in both forums due to the number of proposals that would have directly affected their operations and ability to serve consumers.

As the California State Legislature convened the second half of the 2001-02 Session, responding to the state's electricity crisis remained top priority. SCPPA member utilities actively involved themselves, immediately and throughout the year, in the legislative activities of both policy committees in the Assembly and Senate.

In January, SCPPA delegation members met with their legislators in Sacramento, educating legislators and staff on "what is a municipal utility", expressing strong support for local control and urging support for the idea that Renewable Portfolio Standards should be a local decision for municipal utilities, made by the local governing boards.

At the federal level, the United States Senate debated a comprehensive energy bill, H.R. 4, the Energy Policy Act of 2002, which included an electricity title. While national issues like drilling in the Arctic National Wildlife Refuge dominated media coverage of the bill, the electricity provisions presented a number of important consumer protection issues for SCPPA members and the consumers they serve.

SCPPA worked closely with Senators Dianne Feinstein and Barbara Boxer to strengthen the consumer protections in the bill, and, when that effort failed, to delete the electricity title from the legislation. SCPPA members told the Senators that they had experienced first-hand the impact of the Western energy crisis of 2000-01, and were not convinced Congress should legislate in this area at this time.

The energy bill, including an electricity title, eventually passed the Senate by a vote of 88 to 11, with both California Senators voting against it, stating that it was bad for California consumers.

High on SCPPA's success list this year is the new law authorizing SCPPA member cities Cerritos and San Marcos, as community aggregators, to serve retail consumers through direct access, with power from SCPPA's proposed Magnolia Power Project. Creating an exception to a law enacted early in the electricity crisis suspending direct access, this key piece of legislation resulted from the efforts of not only Cerritos and San Marcos, but the other SCPPA members who also actively worked to assure the bill's passage.

For municipal utilities, successful results are sometimes achieved when the legislature allows a utility

(Continued on Page 18)

As of June 30, 20002

SCPPA BONDS

	Bond Ratings: Moody's Investors Service	Bond Ratings: Standard & Poor's
Hoover Uprating Project[1]	Aa3	AA-
Southern Transmission System		
Senior Lien Bonds	Aa3	AA-
Subordinate Lien Bonds[2]	Aaa/VMIG1	AAA/A+
Subordinate Lien (underlying)	A1	A+
Palo Verde Project[3]		
Senior Lien Bonds	A2	AA-
Subordinate Lien Bonds	Aaa/VMIG1	AAA/A-1+
Multiple Project Revenue Bonds		
Mead-Adelanto	Aa3	A
Mead-Phoenix	Aa3	A
Multiple Project[4]	A2	A
Mead-Adelanto Revenue Bonds[5]	Aaa	AAA
Mead-Phoenix Revenue Bonds[5]	Aaa	AAA
San Juan Unit 3[6]	Aaa	AAA
San Juan Unit 3 (underlying)	A2	A+

[1]Insured: 2001 Refunding Series A (FSA)
[2]Insured: 1991 Subordinate Variable Rate Bonds (AMBAC); 1993 Subordinate Series (MBIA); 1996 Subordinate Series A Bonds (MBIA); 1996 Subordinate Variable Rate Series B Bonds (FSA); 1998 Subordinate Series A (MBIA); 2000 Subordinate Variable Rate Series A Bonds (FSA); 2001 Subordinate Series A (FSA); 2002 Subordinate Series A (FSA).
[3]Insured: 1992 Senior Lien Bonds (AMBAC); 1993 Subordinate Bonds (FGIC); 1996 Subordinate Series A (AMBAC); 1996 Subordinate Variable Rate Series B and C Bonds (AMBAC); 1997 Subordinate Series A and B Bonds (FSA); Installment Deposits to Defease the 1987 and 1989 Bonds (FSA); 1999 Subordinate Refunding Series A Bonds (FSA).
[4]Uncommitted bond proceeds secured by a guaranteed rate investment contract.
[5]Insured: 1994 Series A Bonds (AMBAC).
[6]Insured: 1993 Series A Bonds (MBIA); 2002 Refunding Series A (FSA).

SCPPA Municipalities

Marcie L. Edwards
General Manager
City of Anaheim

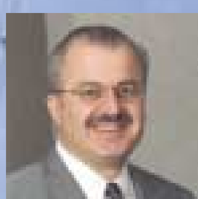
City of Anaheim Innovative solutions designed to meet the energy needs of a dynamic community have been a hallmark of Anaheim Public Utilities since its inception in 1894. Today, the City of Anaheim is the only community in Orange County with an electric municipal utility. Anaheim residents enjoy rates that are significantly lower than the electric rates charged in neighboring communities, reliable electric service, and an array of more than 40 targeted energy efficiency programs. In the coming years, Anaheim Public Utilities will continue to work to the best advantage of Anaheim consumers. With a strong, creative management team, sound resource and financial planning, and a cadre of experienced and dedicated employees, we will maintain sharp focus on meeting the community's long-term power needs and offer measures that will help our customers make efficient use of electricity.

Joseph F. Hsu
Director of Utilities
City of Azusa

City of Azusa The City's electric utility was incorporated in 1898 when it purchased the assets of a private utility on the brink of its bankruptcy. The foresight and planning of those early pioneers continues to be the cornerstone of today's Azusa Light and Water. Diligent planning for its own power and resources have allowed it to defer any rate increases since 1993. Despite the recent industry turmoil, Azusa Light and Water was able to weather through the crisis with relative immunity. As a result, Azusa was named by a recent Kosmont survey in the *Los Angeles Business Journal* as the second "most affordable city in Southern California in which to do business."

Paul Toor
Director of Public
Works/Assistant
City Manager
City of Banning

City of Banning Established in 1913, the Banning electrical system now serves an area of approximately 21 square miles. Innovative power resource planning by City officials provided Banning with the necessary electric generation to make it through the turbulent California energy crisis relatively unscathed. Banning's energy resource base includes portions of coal, nuclear and hydro generating plants, which provide the majority of electricity required to meet its summer peak load of 39 MW. The Utility is committed to continue providing quality service to its customers in a reliable manner, and at reasonable rates.

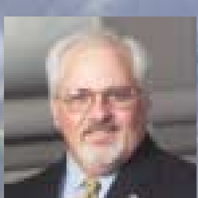


Ronald E. Davis
General Manager
City of Burbank

City of Burbank Burbank Water and Power began serving both water and electric customers in 1913 and installed on-site generation in response to a surge in industrial and residential growth in the 1940s and 1950s. Today the City receives power from three SCPPA projects, as well as firm and interruptible supplies from other utilities and government agencies, and continues to operate its own local power plants.

Art Gallucci
City Manager
City of Cerritos

City of Cerritos The first new member to join Southern California Public Power Authority in over 20 years, the City of Cerritos is preparing to serve the electricity demands of its residential and business communities. To further these efforts, Cerritos is participating in the development of the Magnolia Power Project. With the goal of providing a stable and affordable supply of electricity, Cerritos intends on developing a diverse portfolio of power to be delivered as competitively and economically as possible.



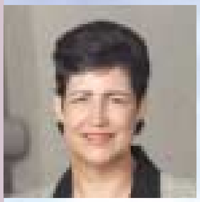
Thomas K. Clarke
Utility Director
City of Colton

City of Colton The Colton Municipal Utility was established in 1895, eight years after city incorporation. Since 1986, the electric utility has changed from being solely dependent on Southern California Edison for its purchased power to being actively engaged in purchasing power from several different sources, achieving significant cost savings in the process.

City of Glendale Incorporated in 1906, Glendale purchased its electric utility in 1909, obtaining power from outside suppliers. It received its first power from Hoover Dam in 1937 and inaugurated the first unit of its own steam generating plant in 1941. Now called the Grayson Power Plant, this facility today has eight generating units. Glendale continues to purchase 85 percent of its power from outside sources.

Ignacio R. Trancoso
Director, Water and Power
City of Glendale

Imperial Irrigation District IID entered the power industry in 1936 and today serves a peak load of 704 MW with 850 MW of generating resources. Among IID-owned resources are 24 MW of low head hydro units along the All American Canal, 307 MW of gas-fired steam and combined cycle units, and 162 MW of peaking gas turbines. In addition to IID's share of SCPPA resources comprising 104 MW at San Juan and 14 MW at Palo Verde, IID has 179 MW of other resources under long-term purchase contracts.



Kristine K. Fontaine
Chief Financial Officer/Controller
Imperial Irrigation District

Los Angeles Department of Water and Power Observing a century of service, the Los Angeles Department of Water and Power began delivering water to the city in 1902, and with the water came power. In 1916, LADWP first delivered electicity to the city purchased from the Pasadena Municipal Plant. A year later, LADWP began generating its own hydroelectric power at the San Francisquito Power Plant No. 1. After purchasing the remaining distribution system of Southern California Edison within the city limits in 1922, LADWP became the sole water and electricity provider for the City of Los Angeles. It is now the largest municipally owned electric utility in the nation, serving a population of 3.8 million residents over a 464 square mile area. LADWP remains on firm financial footing and serves as a valuable asset to the City of Los Angeles.

Ronald O. Vazquez
Chief Financial Officer
Los Angeles Department of Water and Power

City of Pasadena Established in 1906, the city built its first electric generating steam plant in 1907 and took over operation of its municipal street lighting from Edison Electric. In 1909, Pasadena began the extension of its operations to commercial and residential customers that resulted in the replacement of all Edison Electric service in the city by 1920.

Phyllis E. Currie
General Manager
City of Pasadena

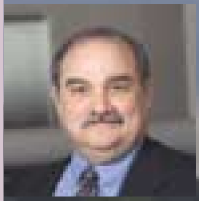
City of Riverside The City of Riverside Public Utilities provides electric services to more than 96,000 metered accounts representing a service area population of over 260,000. The utility is committed to the highest quality water and electric services at the lowest possible rates to benefit the community. To maintain their commitment, Riverside has positioned itself well in the electric market by utilizing short-, mid-, and long-term contracts from power suppliers, and by building power generation sources with its own power grid, including a 40 MW power plant in 2002, and a 113 kilowatt solar generation carport structure.

Thomas P. Evans
Public Utilities Director
City of Riverside

City of San Marcos The City of San Marcos was incorporated in 1963. In 1994, the residents of San Marcos authorized the formation of a municipal utility when they approved the City Charter by an affirmative vote of 68%. In August 2000, the City declared its energy independence by implementing the formation of a municipal utility and in April 2001, adopted a four-part energy strategy which includes: conservation /public awareness; community aggregation; formation of strategic partnerships; and generation opportunities. In October 2001, the City named its municipal utility "Discovery Valley Utility" and is currently pursuing generation opportunities through participation in the Magnolia Power Project. The City of San Marcos has a current population of 58,129 and is located in northern San Diego County. San Marcos covers an area of 23 square miles and is anticipated to grow to a population of 85,000 by the year 2015.

Karl A. Schwam
Senior Administrative Analyst
City of San Marcos

City of Vernon Vernon's Utilities Department began serving industrial customers in 1933, with completion of its diesel generating plant. In addition to its own power from diesel units and gas turbines, Vernon also receives power from Palo Verde, Hoover, and various suppliers. Vernon also is in the process of constructing a 134 MW gas-fired combined cycle power plant within its city limits. Vernon resides within the California Independent System Operator (CAISO) Control Area and is a Participating Transmission Owner.



Kenneth J. De Dario
Director of Utilities
City of Vernon

to meet its community's needs without interference. Such is the case with Renewable Portfolio Standards (RPS). In Washington, SCPPA expressed support for renewable energy programs and cited its February 2002 Request for Proposals (RFP) for Renewable Energy Projects, in order to expand its renewable portfolio from 1% to 10% by 2010. However, SCPPA opposed a federally mandated standard, because it would undermine the ability of state and local officials to determine which resources, in what amounts, best suit consumer needs. An issue in both Washington and Sacramento, California's new law may provide a model for Congress in future RPS debates. This new state law enables each SCPPA member city to adopt and enforce its own standard, reporting annually to customers. It authorizes each municipal utility to balance the intent of the legislature to encourage the use of renewable resources with the effect on rates, reliability, financial resources and environmental improvement.

In Sacramento, legislation seeking to control the price of electricity was introduced in the Senate in late spring. Believing that price controls are counterproductive, SCPPA and its members played a vital role in assuring that the bill never left the Senate. Another effort defeated an anti-competitive bill that would impede municipalization and create obstacles to municipal utility districts providing electric service to their own customers. An additional issue in SCPPA's focus includes a bill that provides state authority over in-state generating facilities, impacting state power supplies, and applying to municipal utilities early in the process. Vetoed by the Governor in 2001, it was reintroduced during the Second Extraordinary Session, excluding municipal utilities, and was signed by the Governor. In addition, a new law allows the California Power Authority the right of first refusal to take over a permit when construction of a generation facility does not commence in a timely manner.

Back in Washington, DC., in the late spring, H.R. 4 moved to a House-Senate Conference Committee. SCPPA members continued to work to prevent erosion of public power's local control and to push for greater consumer protections. As part of that effort, a SCPPA delegation traveled to Washington, D.C. in early September to express strong opposition to 1) mandatory participation by all utilities in Regional Transmission Organizations (RTOs), regardless of whether benefits exceed costs; 2) increased FERC regulation over locally-controlled utilities; and 3) a mandatory 10% federal renewable portfolio standard.

With other sections of H.R. 4, SCPPA members supported and worked closely with their congressional delegation to reauthorize the Renewable Energy Production Incentive (REPI) program and to include a tradable tax credit for renewable resources.

After months of negotiations, and no resolution in sight, the 107th Congress abandoned legislation on energy and electricity on November 13, 2002. The problems highlighted by SCPPA members, as well as the Senate changeover to Republican control, were part of the reason the H.R. 4 subsequently failed. Nevertheless, both the White House and Republican-controlled Congress have already placed comprehensive energy legislation very high on their priority list for the next session. SCPPA, therefore, will have to continue, and likely, intensify, its legislative effort in the 108th Congress.

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The following discussion and analysis of the financial performance of each of the projects in which the Southern California Public Power Authority (the "Authority") has interests, provides an overview of the project's financial activities for the fiscal year ended June 30, 2002. Descriptions and other details pertaining to the projects are included in the Notes to Combined Financial Statements. Please read this discussion and analysis in conjunction with the Authority's Combined Financial Statements, which begin on page 34.

The Authority is a joint powers authority whose primary purpose has been to provide joint financing for its member agencies, that consist of 10 municipal electric utilities and one irrigation district in California. On a combined basis, these entities provide electricity to more than 2 million retail electric customers. A Board of Directors (the "Board") governs the Authority, which consists of one representative from each member agency. Two new member agencies, the Cities of Cerritos and San Marcos joined the Authority in July 2001.

Using This Financial Report – This financial annual report consists of a series of financial statements and reflects the self-supporting activities of the Authority that are funded primarily through the sale of energy and transmission services to member agencies under project specific "take or pay" contracts that require each member agency to pay its proportionate share of operating and maintenance expenses and debt service with respect to such projects.

Combined Statements of Net Assets, Combined Statements of Revenues, Expenses and Changes in Fund Net Assets, and Combined Statements of Cash Flows – The Combined Financial Statements provide an indication of the Authority's financial health. The Combined Statements of Net Assets includes all of the Authority's assets and liabilities, using an accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments. The Combined Statements of Revenues, Expenses and Changes in Fund Net Assets reports all of the revenues and expenses during the time periods indicated. The Combined Statements of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for bond principal payments and capital additions and betterments.

Palo Verde Project
Financial Highlights
(Amounts in thousands)

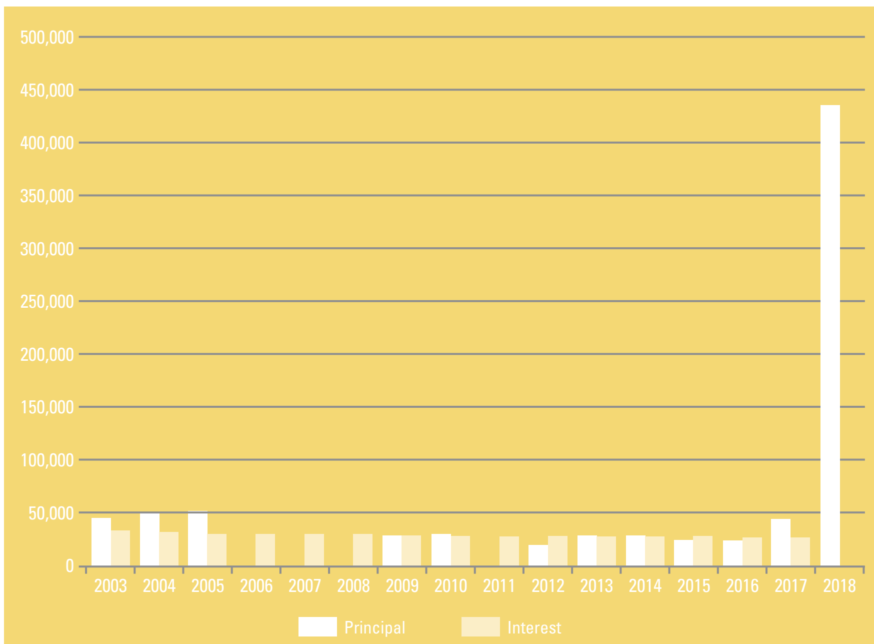
	2002	2001
Net Assets		
Current assets	$ 70,769	$ 91,246
Noncurrent assets:		
Utility plant, net	213,923	245,004
Other	546,425	422,427
	760,348	667,431
Total assets	831,117	758,677
Current liabilities	102,024	92,200
Noncurrent liabilities:		
Long-term debt	629,554	660,480
	629,554	660,480
Total liabilities	731,578	752,680
Invested in capital assets net of related debt and deferred credits	(459,192)	(456,151)
Restricted	536,840	445,570
Unrestricted	21,891	16,578
Total net assets	$ 99,539	$ 5,997
Change in Net Assets		
Operating revenues	$ 175,374	$ 172,176
Operating expenses	71,266	72,209
Net operating income	104,108	99,967
Other non-operating revenues	43,301	41,535
Interest and debt related amortizations	(53,867)	(59,009)
Net increase (decrease) in net assets	$ 93,542	$ 82,493

Net Assets – The Palo Verde Project's Net Assets increased by $93.5 million, mainly due to a $92.9 million increase in Noncurrent Assets. This resulted primarily from the continued contributions to the Deposit Installment Escrow Fund under a debt-restructuring plan adopted by the Board through a resolution in 1998 to increase the competitiveness of the Palo Verde Project by accelerating the repayment of the Project's debt. Under the debt-restructuring plan an additional $65 million per year will be added to the Palo Verde Project participants' billings through June 30, 2004 (Refer to Revenues in Note 2 of the Notes to Combined Financial Statements).

Long-term Debt – The Authority financed the acquisition of the assets of the Palo Verde Project through the issuance of revenue bonds. Currently capital additions to the Project are financed from revenues received from participants. Principal bond maturities paid by the trustee to bondholders for the year was $45.1 million.

The graph below provides the amounts of principal and interest payments on the Palo Verde Project that are due each year following June 30, 2002 until the bonds mature in 2018. Interest amounts shown on the graph are reflected on an accrual basis.

Palo Verde Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Southern Transmission System Project (STS)
Financial Highlights
(Amounts in thousands)

	2002	2001
Net Assets		
Current assets	$ 33,704	$ 24,561
Noncurrent assets:		
Utility plant, net	381,414	401,046
Other	103,905	119,913
	485,319	520,959
Total assets	519,023	545,520
Current liabilities	44,568	36,380
Noncurrent liabilities:		
Long-term debt	823,408	839,324
Other	99,695	63,020
	923,103	902,344
Total liabilities	967,671	938,724
Invested in capital assets net of related debt and deferred credits	(459,808)	(448,684)
Restricted	16,215	54,711
Unrestricted	(5,055)	769
Total net assets	$ (448,648)	$ (393,204)
Change in Net Assets		
Operating revenues	$ 77,573	$ 57,310
Operating expenses	36,864	34,636
Net operating income	40,709	22,674
Other non-operating revenues	4,961	9,139
Interest and debt related amortizations	(62,901)	(68,979)
Unrealized loss on derivative commitment	(36,675)	(14,020)
Loss on refunding	(1,538)	(3,175)
Cumulative effect of accounting change	–	(41,100)
Net increase (decrease) in net assets	$ (55,444)	$ (95,461)

Net Assets – The Net Assets of STS decreased in 2002 by $55.4 million, or by 14%, mainly due to a $26.5 million decrease in Total Assets and an increase in Total Liabilities of $28.9 million. The decrease in Total Assets consists mainly of an increase in accumulated depreciation of $19.6 million, a decrease in Other Special Funds of $16.0 million, and a $9.1 million increase in Current Assets. The decrease of $16.0 million in Other Special funds was primarily due to the release of $8.3 million from the debt service reserve account to fund a portion of the related refunded bonds and a $6.5 million decrease in the 1998 Payment Account as a result of a principal payment on July 1, 2001. The increase in Total Liabilities of $28.9 million consists mainly of a $36.7 million increase in the fair market value on derivative commitments related to interest swap agreements entered into by the Authority with third parties, a decrease of $28.5 million in long-term debt due to maturities and refundings, and $20.1 million of amortization of debt related discounts and issue costs, which increased the carrying costs of debt by the same amount.

The Net Assets of ($448.6) million at June 30, 2002 consists of non-cash expenses which are not billed to the participants, but are required to be recorded as expenses under Generally Accepted Accounting Principles. These non-cash expenses are primarily comprised of depreciation on utility plant, amortization of debt related expenses, amortization of bond premiums and discounts, and losses on refundings. These costs will be recovered at the time the Authority collects revenues to pay the principal portion of debt service costs.

Operating Income – The increase in STS operating income of $18.0 million is largely due to increased billings to STS participants in 2002. In the preceding fiscal year, billings were lower due to funds being released from the Debt Service Reserve Fund of $11.1 million and a one-time up-front option payment of $7.9 million received from a counterparty in connection with a swap transaction. These funds were used to reduce participant billings for operations and maintenance and debt service payments in the prior fiscal year. (Refer to Note 2 of the Notes to Combined Financial Statements)

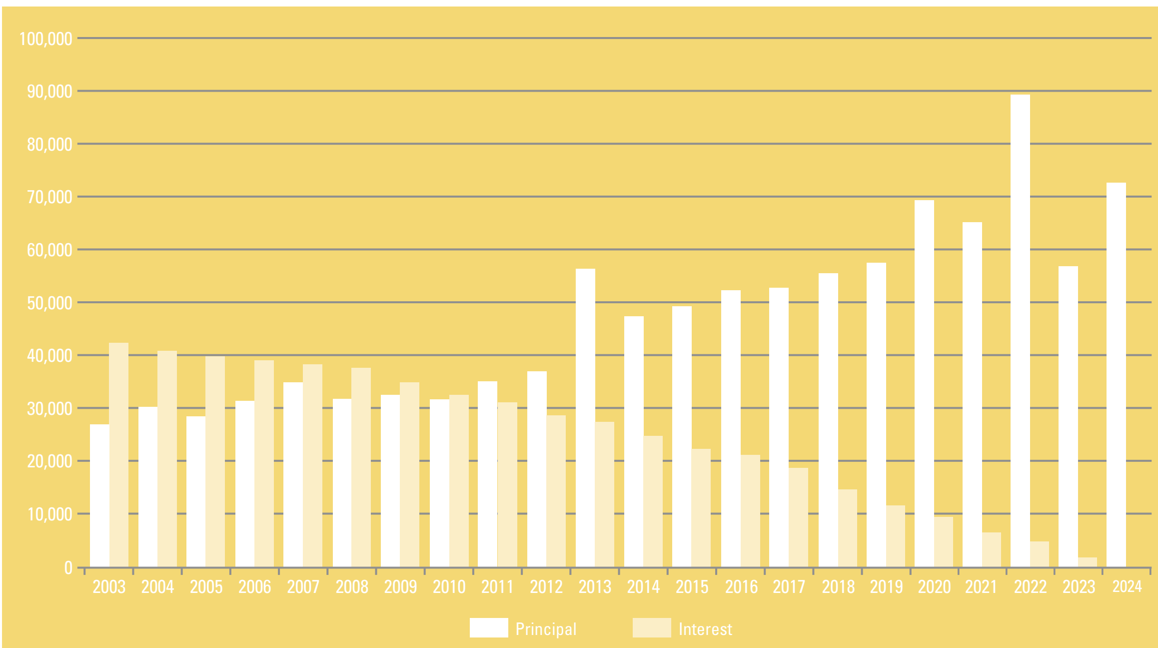
Long-term Debt – The Authority acquired the STS assets through the issuance of revenue bonds. Capital additions are currently financed from revenues received from participants. Principal bond maturities paid by the trustee to bondholders for the year were $19.2 million. During the year the Authority issued new refunding bonds as follows:

Project Name	Par Amount of Refunded Bonds	Par Amount of Refunding Issue	Debt Service Savings	Present Value Savings	Bond Ratings by Moody's
Southern Transmission System Project	$ 73,275,000	$ 63,940,000	$ 4,677,750	$ 3,425,507	A1

$9.4 million of the refunded bonds was paid from a release of funds from debt reserve fund related to the refunded bonds (See Note 5 of the Notes to Combined Financial Statements).

The graph below provides the amounts of principal and interest payments on the STS Project that are due each year following June 30, 2002 until the bonds mature in 2024. Interest amounts shown on the graph are reflected on an accrual basis.

Southern Transmission System Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Hoover Uprating Project
Financial Highlights
(Amounts in thousands)

	2002	2001
Net Assets		
Current assets	$ 143	$ 2,249
Noncurrent assets:		
Utility plant, net	4	8
Other	25,713	27,676
	25,717	27,684
Total assets	25,860	29,933
Current liabilities	1,423	1,078
Noncurrent liabilities:		
Long-term debt	20,275	23,421
	20,275	23,421
Total liabilities	21,698	24,499
Invested in capital assets net of related debt and deferred credits	576	242
Restricted	2,615	3,914
Unrestricted	971	1,278
Total net assets	$ 4,162	$ 5,434
Change in Net Assets		
Operating revenues	$ 2,352	$ 2,086
Operating expenses	2,236	2,277
Net operating income	116	(191)
Other non-operating revenues	187	421
Interest and debt related amortizations	(840)	(482)
Loss on refunding	(735)	–
Net increase (decrease) in net assets	$ (1,272)	$ (252)

Net Assets – The Net Assets of the Hoover Uprating Project decreased by $1.3 million. This was primarily due to a decrease in Total Assets of $4.1 million mainly caused by the release of money from the debt service reserve account to fund a portion of the related refunded bonds. Offsetting the decrease in total assets was a decrease in Total Liabilities of $2.8 million which was the result of refunding the old bonds.

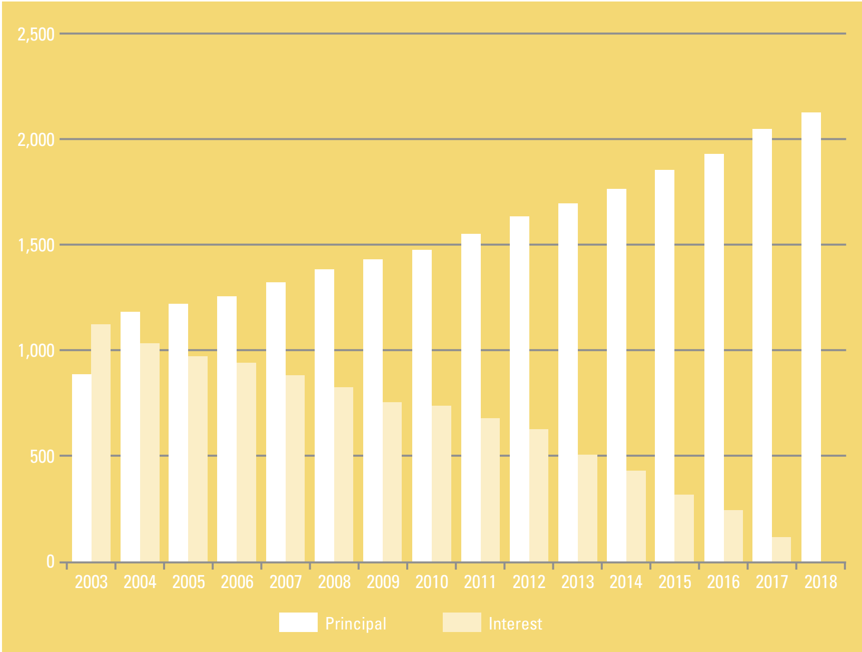
Long-term Debt – The Authority acquired its interest in the Hoover Uprating Project through the issuance of revenue bonds. During the year the Authority issued new refunding bonds as follows:

Project Name	Par Amount of Refunded Bonds	Par Amount of Refunding Issue	Debt Service Savings	Present Value Savings	Bond Ratings by Moody's
Hoover Uprating Project	$ 28,095,000	$ 24,685,000	$ 9,323,898	$ 2,861,851	Aa3

$3.4 million of the refunded bonds was paid from a release of funds from debt service accounts related to the refunded bonds (See Note 5 of the Notes to Combined Financial Statements).

The graph below provides the amounts of principal and interest payments on the Hoover Uprating Project that are due each year following June 30, 2002 until the bonds mature in 2018. Interest shown on the graph is reflected on an accrual basis.

Hoover Uprating Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on October 1 and April 1 of each year.

Mead-Phoenix Project
Financial Highlights
(Amounts in thousands)

	2002	2001
Net Assets		
Current assets	$ 5,903	$ 6,829
Noncurrent assets:		
Utility plant, net	44,191	45,674
Other	10,052	10,698
	54,243	56,372
Total assets	60,146	63,201
Current liabilities	3,274	4,698
Noncurrent liabilities:		
Long-term debt	63,720	63,107
	63,720	63,107
Total liabilities	66,994	67,805
Invested in capital assets net of related debt and deferred credits	(18,686)	(18,224)
Restricted	12,986	14,434
Unrestricted	(1,148)	(814)
Total net assets	$ (6,848)	$ (4,604)
Change in Net Assets		
Operating revenues	$ 4,251	$ 6,428
Operating expenses	2,840	2,582
Net operating income	1,411	3,846
Other non-operating revenues	707	788
Interest and debt related amortizations	(4,362)	(4,484)
Loss on defeasance	–	(1,234)
Net increase (decrease) in net assets	$ (2,244)	$ (1,084)

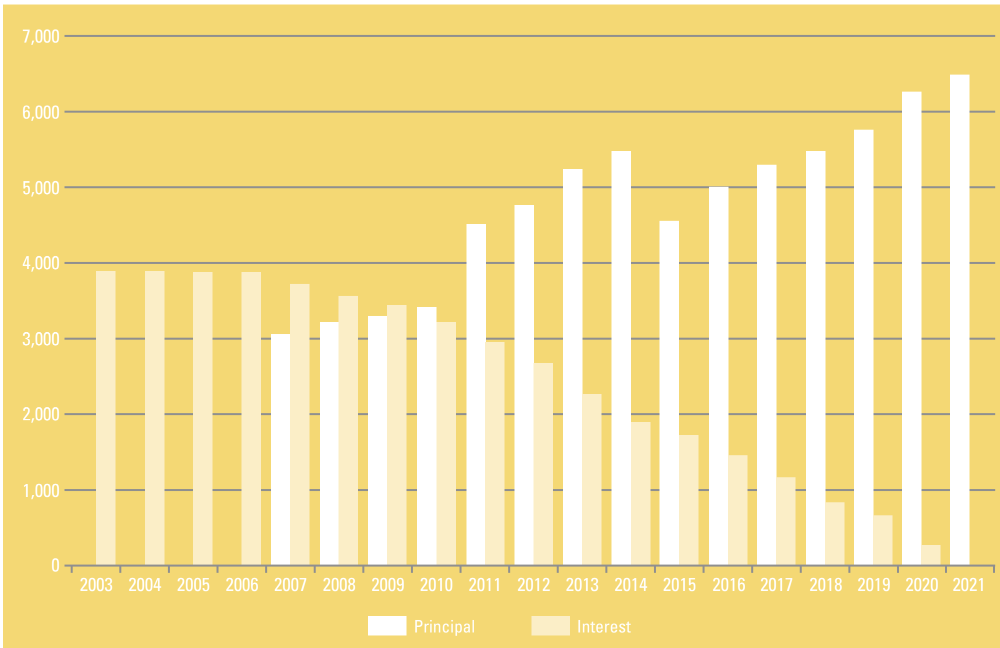
Net Assets – Net assets of the Mead-Phoenix Project decreased by $2.2 million or 49%, mainly due to an increase in accumulated depreciation on utility plant of $1.4 million, a decrease of $1.7 million in Special Funds for payment of principal maturities and an offsetting decrease in total liabilities of $800,000.

Operating Income – Operating income decreased by $2.4 million in 2002 due primarily to lower debt service billings to the participants this year as compared to last year. Principal maturities of long-term debt that are due in the following year are billed in advance to the participants. There is no scheduled principal payments on July 1, 2002.

Long-term Debt – The acquisition of the assets of the Mead-Phoenix Project was provided by a transfer of funds from the Multiple Project Fund (See Note 1 of the Notes to Combined Financial Statements). In March 1994, the Authority issued Mead-Phoenix Project Revenue Bonds to advance refund the Multiple Project Fund Bonds.

The graph below provides the amounts of principal and interest payments on the Mead-Phoenix Project that are due each year following June 30, 2002 until the bonds mature in 2021. Interest amounts shown on the graph are reflected on an accrual basis.

Mead-Phoenix Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Mead-Adelanto Project
Financial Highlights
(Amounts in thousands)

	2002	2001
Net Assets		
Current assets	$ 14,385	$ 16,648
Noncurrent assets:		
Utility plant, net	144,532	149,036
Other	29,423	31,353
	173,955	180,389
Total assets	188,340	197,037
Current liabilities	8,043	12,610
Noncurrent liabilities:		
Long-term debt	205,678	204,062
	205,678	204,062
Total liabilities	213,721	216,672
Invested in capital assets net of related debt and deferred credits	(58,184)	(55,732)
Restricted	34,329	38,031
Unrestricted	(1,526)	(1,934)
Total net assets	$ (25,381)	$ (19,635)
Change in Net Assets		
Operating revenues	$ 11,593	$ 16,185
Operating expenses	5,778	6,007
Net operating income	5,815	10,178
Other non-operating revenues	1,915	2,244
Interest and debt related amortizations	(13,476)	(13,942)
Loss on defeasance	–	(3,402)
Net increase (decrease) in net assets	$ (5,746)	$ (4,922)

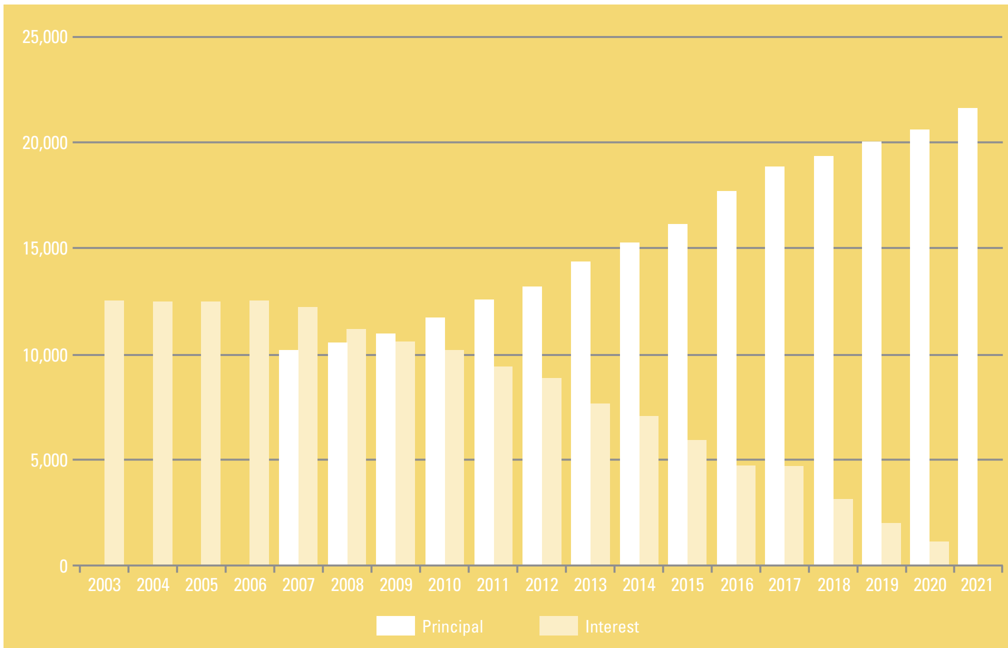
Net Assets – The Net Assets of the Mead-Adelanto Project decreased by $5.7 million or 29 % due to an increase in accumulated depreciation on utility plant of $4.5 million, a decrease of $4.4 million in Special Funds which was used mainly for payment of principal maturity on long-term debt and a decrease in Total liabilities of $3.0 million caused largely by the principal maturity of the 1989 Revenue Bonds in July 2001.

Operating Income – The decrease in operating income of $4.4 million is primarily due to lower debt service billings to the participants this year as compared to last year. Principal maturities of long-term debt that are due in the following year are billed in advance to the participants. There are no scheduled principal payments on July 1, 2002.

Long-term Debt – Similar to the Mead-Phoenix Project, the interest in the Mead-Adelanto Project was acquired by the Authority through a transfer of funds and the bonds issued to obtain these funds from the Multiple Project Fund (See Note 1 of the Notes to Combined Financial Statements). In March 1994, the Authority issued Mead-Adelanto Project Revenue Bonds to advance refund the Multiple Project Fund Bonds.

The graph below provides the amounts of principal and interest payments on the Mead-Adelanto Project that are due each year following June 30, 2002 until the bonds mature in 2021. Interest amounts shown on the graph are reflected on an accrual basis.

Mead-Adelanto Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Multiple Project Fund
Financial Highlights
(Amounts in thousands)

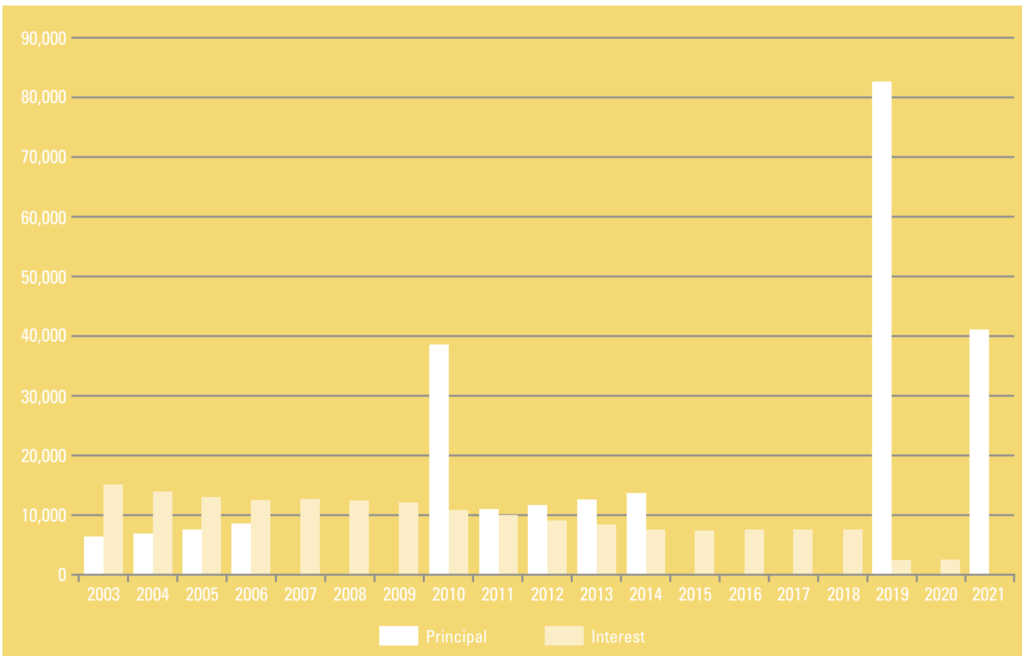
	2002	2001
Net Assets		
Current assets	$ 8,961	$ 9,243
Noncurrent assets	247,584	251,014
Total assets	256,545	260,257
Current liabilities	27,325	25,911
Noncurrent liabilities:		
Long-term debt	222,865	228,785
	222,865	228,785
Total liabilities	250,190	254,696
Invested in capital assets net of related debt and deferred credits	–	–
Restricted	6,355	5,561
Unrestricted	–	–
Total net assets	$ 6,355	$ 5,561
Change in Net Assets		
Other non-operating revenues	18,036	18,406
Interest and debt related amortizations	(17,242)	(17,667)
Net increase (decrease) in net assets	$ 794	$ 739

Net Assets – The net assets of the Multiple Project Fund increased by $800,000. This represents the difference between investment income earned on bond proceeds deposited in the Multiple Project Fund and the interest expense on such bonds.

Long-term Debt – The Multiple Project Fund was established by the issuance of revenue bonds. The bond proceeds are to be used to finance costs of construction and acquisition of ownership interests or capacity rights in one or more projects that the Authority expects to undertake. Certain of these funds were used to finance the Authority's interest in Mead-Phoenix and Mead-Adelanto Projects (See Note 1 of the Notes to Combined Financial Statements).

The graph below provides the amounts of principal and interest payments on the Multiple Project Fund that are due each year following June 30, 2002 until the bonds mature in 2021. Interest shown on the graph is reflected on an accrual basis.

Multiple Project Fund
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. A total of $153.5 million of the outstanding Multiple Project Revenue Bonds are not subject to redemption prior to maturity.

San Juan Project
Financial Highlights
(Amounts in thousands)

	2002	2001
Net Assets		
Current assets	$ 18,513	$ 22,537
Noncurrent assets:		
Utility plant, net	93,851	106,950
Other	18,745	14,350
	112,596	121,300
Total assets	131,109	143,837
Current liabilities	19,030	16,415
Noncurrent liabilities:		
Long-term debt	200,675	189,938
Other	–	9,580
	200,675	199,518
Total liabilities	219,705	215,933
Invested in capital assets net of related debt and deferred credits	(105,828)	(88,330)
Restricted	14,601	10,877
Unrestricted	2,631	5,357
Total net assets	$ (88,596)	$ (72,096)
Change in Net Assets		
Operating revenues	$ 50,258	$ 50,006
Operating expenses	56,195	65,322
Net operating income	(5,937)	(15,316)
Other non-operating revenues	724	2,159
Interest and debt related amortizations	(11,013)	(11,314)
Loss on refunding	(274)	–
Net increase (decrease) in net assets	$ (16,500)	$ (24,471)

Net Assets – The Net Assets of the San Juan Project decreased by $16.5 million, or 23%, primarily due to a decrease of $12.7 million in Total assets and an increase in Total liabilities of $3.8 million. The decrease in Total Assets was caused by the release of amounts from the Debt Service Reserve Fund which were used to reduce debt service billings to participants (See Notes to Combined Financial Statements). The increase in total liabilities was due mainly to the new refunding bonds issued in May 2002.

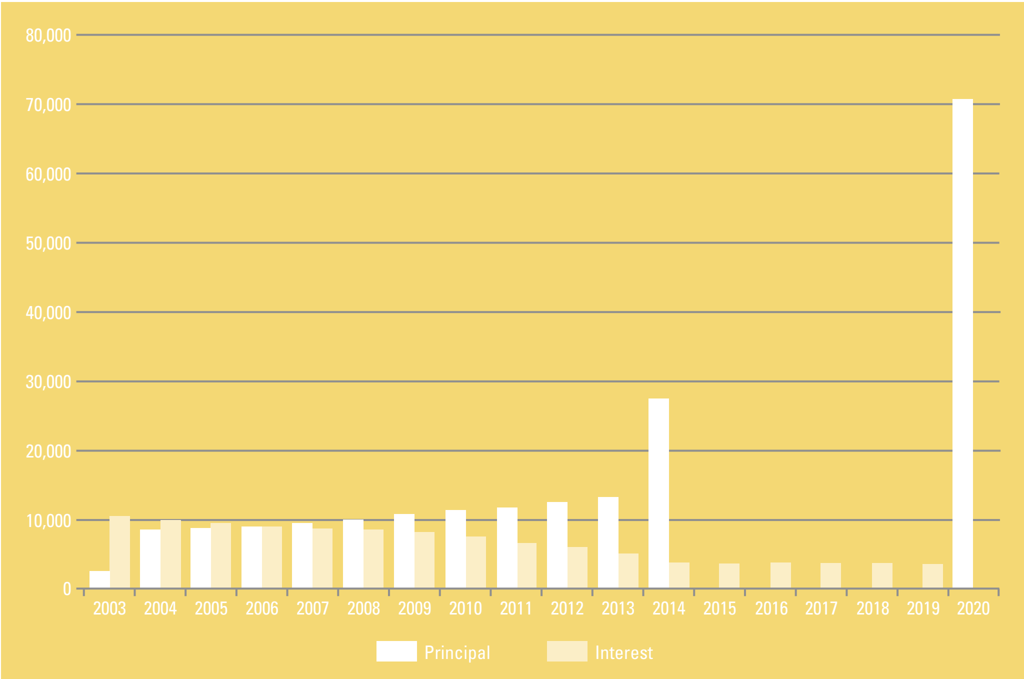
Net Operating Income – Net Operating Income increased by $9.4 million when compared to last year. This was primarily due to the Authority's recording of a $9.2 million expense in the preceding fiscal year, representing the present value of its share of a coal contract buy-out to be paid on December 31, 2002 (See Note 2 of the Notes to Combined Financial Statements).

Long-term Debt – The Authority financed its acquisition of the assets of the San Juan Project by the issuance of revenue bonds. Currently, capital additions are financed from revenues received from participants. Principal bond maturities paid to bondholders for the year was $7.1 million. During the year the Authority issued new refunding bonds as follows:

Project Name	Par Amount of Refunded Bonds	Par Amount of Refunding Issue	Debt Service Savings	Present Value Savings	Bond Ratings by Moody's
San Juan Unit 3 Project	$ 118,050,000	$ 125,330,000	$ 8,869,443	$ 3,977,503	A2

The graph below provides the amounts of principal and interest payments on the San Juan Project that are due each year following June 30, 2002 until the bonds mature in 2020. Interest amounts shown on the graph are reflected on an accrual basis.

San Juan Project
Future Debt Service Depicting Principal and Interest
Fiscal Year Ending June 30
($ in thousands)



Interest payment on the bonds are payable semi-annually on July 1 and January 1 of each year.

Projects' Stabilization Fund – In 1996 the Board adopted a resolution to establish the Projects' Stabilization Fund. Moneys deposited by the participants to this Fund are used to pay for Authority costs as directed by the participants (See Note 1 of the Notes to Combined Financial Statements). At June 30, 2002 the Fund had a balance of $173.8 million.

Costs Recoverable – Billings to participants are designed to recover "costs" as defined by the power sales and transmission service agreements. The billings are structured to systematically provide for debt service requirements, operating funds and reserves in accordance with these agreements. The difference between billings and the Authority's expenses calculated in accordance with generally accepted accounting principles are deferred as costs recoverable in future periods and are presented as net assets. It is intended that the deferred amounts will be recovered through billings for repayment of principal on the related bonds.

Financial Outlook – The Authority's credit strength is based on the collective credit outlook of each project participant, the lack of substantial reliance by any participant on the project resources, the competitive price of the project output or importance of the transmission service provided, and strong legal provisions, which are similar for each project. The Authority has strong take-or-pay power sales and transmission service contracts. The step-up provisions set forth in such contracts unconditionally require the participants to pay for the cost of operating and maintaining each project, including debt service.

Although the contracts have not been court-tested, a municipal utility's authority to enter into such contracts is rooted in the State's constitutional provisions for municipal electric utilities.

Participants in the Palo Verde Project have implemented a debt-restructuring program that will lower fixed costs significantly by 2004, resulting in lower power costs at or near the regional market price.

The Authority plays an important role as a legislative advocate and its focused strategic plan continues to provide benefits to member agencies as they prepare for increased competition. The Authority's management has been very focused on lowering the fixed costs of each project to ensure the flexibility needed to perform in a more competitive marketplace.

REPORT OF INDEPENDENT ACCOUNTANTS

September 10, 2002

To the Board of Directors and Participants of the
Southern California Public Power Authority

In our opinion, the accompanying combined statements of net assets and the related combined statements of revenues, expenses and changes in fund net assets and cash flows present fairly, in all material respects, the financial position of the Southern California Public Power Authority (the Authority) at June 30, 2002 and 2001, and changes in fund assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying combined statements of net assets and the related combined statements of revenues, expenses and changes in fund net assets and cash flows present fairly, in all material respects, the financial position of each of the Authority's Palo Verde Project, Southern Transmission System Project, Hoover Uprating Project, Mead-Phoenix Project, Mead-Adelanto Project, Multiple Project Fund, San Juan Project and Projects' Stabilization Fund at June 30, 2002 and 2001, and the changes in the fund assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

On July 1, 2000, the Authority adopted Statement of Financial Accounting Standards No. 133 and changed its method of accounting for derivative instruments. On July 1, 2001, the Authority adopted Government Accounting Standard No. 34 and changed the presentation of the financial statements. See Note 2 to combined financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information, as listed in the accompanying index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS

(Amounts in thousands)

	June 30, 2002								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
ASSETS									
Noncurrent Assets									
Utility plant:									
Production	$ 620,719	$ –	$ –	$ –	$ –	$ –	$ 175,111	$ –	$ 795,830
Transmission	14,062	674,606	–	50,770	172,319	–	–	–	911,757
General	2,583	18,911	22	2,640	473	–	8,089	–	32,718
	637,364	693,517	22	53,410	172,792	–	183,200	–	1,740,305
Less - Accumulated depreciation	452,747	312,103	18	9,219	28,260	–	90,204	–	892,551
	184,617	381,414	4	44,191	144,532	–	92,996	–	847,754
Construction work in progress	14,325	–	–	–	–	–	855	–	15,180
Nuclear fuel, at amortized cost	14,981	–	–	–	–	–	–	–	14,981
Net utility plant	213,923	381,414	4	44,191	144,532	–	93,851	–	877,915
Special funds:									
Restricted investments									
Escrow accounts	284,327	21,639	–	–	–	–	–	–	305,966
Decommissioning fund	104,671	–	–	–	–	–	–	–	104,671
Other funds	139,987	61,835	2,861	9,209	26,461	247,584	16,052	158,320	662,309
	528,985	83,474	2,861	9,209	26,461	247,584	16,052	158,320	1,072,946
Nonrestricted investments									
Other funds	13,528	–	1,111	–	–	–	–	–	14,639
Total special funds	542,513	83,474	3,972	9,209	26,461	247,584	16,052	158,320	1,087,585
Other Noncurrent Assets									
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	11,550
Advances for capacity and energy, net - restricted	–	–	21,169	–	–	–	–	–	21,169
Unamortized debt expenses	3,912	8,881	572	843	2,962	–	2,693	–	19,863
Total other noncurrent assets	3,912	20,431	21,741	843	2,962	–	2,693	–	52,582
Total noncurrent assets	760,348	485,319	25,717	54,243	173,955	247,584	112,596	158,320	2,018,082
Current Assets									
Special funds:									
Cash and cash equivalents - restricted	48,371	29,171	29	1,900	3,493	1	11,779	14,970	109,714
Cash and cash equivalents - nonrestricted	11,778	4,361	98	181	401	–	3,284	–	20,103
Interest receivable	2,483	172	16	340	916	8,960	18	495	13,400
Accounts receivable	1,244	–	–	–	–	–	209	–	1,453
Due from other project - restricted	–	–	–	3,482	9,575	–	–	–	13,057
Materials and supplies	6,893	–	–	–	–	–	3,223	–	10,116
Total current assets	70,769	33,704	143	5,903	14,385	8,961	18,513	15,465	167,843
Total assets	831,117	519,023	25,860	60,146	188,340	256,545	131,109	173,785	2,185,925
LIABILITIES									
Non current liabilities									
Long-term debt	629,554	823,408	20,275	63,720	205,678	222,865	200,675	–	2,166,175
Other noncurrent liabilities:									
Derivative commitments	–	99,695	–	–	–	–	–	–	99,695
Commitments and contingencies	–	–	–	–	–	–	–	–	–
Total other noncurrent liabilities	–	99,695	–	–	–	–	–	–	99,695
Total noncurrent liabilities	629,554	923,103	20,275	63,720	205,678	222,865	200,675	–	2,265,870
Current liabilities:									
Debt due within one year	47,395	26,695	905	–	–	6,600	1,600	–	83,195
Accrued interest	8,122	8,457	274	1,945	6,116	7,669	3,325	–	35,908
Accounts payable and accruals	44,557	9,416	244	550	963	–	3,732	–	59,462
Accrued property tax	1,950	–	–	779	964	–	450	–	4,143
Coal contracts buyout	–	–	–	–	–	–	9,923	–	9,923
Due to other projects	–	–	–	–	–	13,056	–	–	13,056
Total current liabilities	102,024	44,568	1,423	3,274	8,043	27,325	19,030	–	205,687
Total liabilities	731,578	967,671	21,698	66,994	213,721	250,190	219,705	–	2,471,557
NET ASSETS									
Invested in capital assets net of related debt and deferred credits	(459,192)	(459,808)	576	(18,686)	(58,184)	–	(105,828)	–	(1,101,122)
Restricted	536,840	16,215	2,615	12,986	34,329	6,355	14,601	173,785	797,726
Unrestricted	21,891	(5,055)	971	(1,148)	(1,526)	–	2,631	–	17,764
Total net assets	$ 99,539	$ (448,648)	$ 4,162	$ (6,848)	$ (25,381)	$ 6,355	$ (88,596)	$ 173,785	$ (285,632)

The accompanying notes are an integral part of these combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS

(Amounts in thousands)

	June 30, 2001 (Restated)								
	Palo Verde Project	**Southern Transmission System Project**	**Hoover Uprating Project**	**Mead-Phoenix Project**	**Mead-Adelanto Project**	**Multiple Project Fund**	**San Juan Project**	**Projects' Stabilization Fund**	**Total**
ASSETS									
Noncurrent Assets									
Utility plant:									
Production	$ 620,794	$ –	$ –	$ –	$ –	$ –	$ 175,503	$ –	$ 796,297
Transmission	14,146	674,606	–	50,846	172,321	–	–	–	911,919
General	2,604	18,911	22	2,641	473	–	8,113	–	32,764
	637,544	693,517	22	53,487	172,794	–	183,616	–	1,740,980
Less - Accumulated depreciation	415,853	292,471	14	7,813	23,758	–	77,734	–	817,643
	221,691	401,046	8	45,674	149,036	–	105,882	–	923,337
Construction work in progress	8,342	–	–	–	–	–	1,068	–	9,410
Nuclear fuel, at amortized cost	14,971	–	–	–	–	–	–	–	14,971
Net utility plant	245,004	401,046	8	45,674	149,036	–	106,950	–	947,718
Special funds:									
Restricted investments									
Escrow accounts	204,070	20,437	–	–	–	–	–	–	224,507
Decommissioning fund	90,659	–	–	–	–	–	–	–	90,659
Other funds	105,617	79,122	5,278	9,779	28,164	251,014	12,159	182,288	673,421
	400,346	99,559	5,278	9,779	28,164	251,014	12,159	182,288	988,587
Nonrestricted investments									
Other funds	17,571	–	–	–	–	–	–	–	17,571
Total special funds	417,917	99,559	5,278	9,779	28,164	251,014	12,159	182,288	1,006,158
Other Noncurrent Assets									
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	11,550
Advances for capacity and energy, net - restricted	–	–	22,164	–	–	–	–	–	22,164
Unamortized debt expenses	4,510	8,804	234	919	3,189	–	2,191	–	19,847
Total other noncurrent assets	4,510	20,354	22,398	919	3,189	–	2,191	–	53,561
Total noncurrent assets	667,431	520,959	27,684	56,372	180,389	251,014	121,300	182,288	2,007,437
Current Assets									
Special funds:									
Cash and cash equivalents - restricted	77,568	18,837	812	3,157	6,407	18	13,465	17,491	137,755
Cash and cash equivalents - nonrestricted	2,717	5,675	1,302	172	168	–	4,289	–	14,323
Interest receivable	2,963	49	103	345	1,025	9,225	105	571	14,386
Accounts receivable	1,291	–	32	–	371	–	1,376	–	3,070
Due from other project - restricted	–	–	–	3,155	8,677	–	–	–	11,832
Materials and supplies	6,707	–	–	–	–	–	3,302	–	10,009
Total current assets	91,246	24,561	2,249	6,829	16,648	9,243	22,537	18,062	191,375
Total assets	758,677	545,520	29,933	63,201	197,037	260,257	143,837	200,350	2,198,812
LIABILITIES									
Non current liabilities									
Long-term debt	660,480	839,324	23,421	63,107	204,062	228,785	189,938	–	2,209,117
Other noncurrent liabilities:									
Deferred credits	–	–	–	–	–	–	–	–	–
Coal contracts buyout	–	–	–	–	–	–	9,580	–	9,580
Derivative commitments	–	63,020	–	–	–	–	–	–	63,020
Commitments and contingencies	–	–	–	–	–	–	–	–	–
Total other noncurrent liabilities	–	63,020	–	–	–	–	9,580	–	72,600
Total noncurrent liabilities	660,480	902,344	23,421	63,107	204,062	228,785	199,518	–	2,281,717
Current liabilities:									
Debt due within one year	45,105	19,210	650	1,710	3,895	6,200	7,480	–	84,250
Accrued interest	9,399	12,262	369	2,002	6,247	7,879	5,271	–	43,429
Accounts payable and accruals	35,644	4,908	59	591	1,504	–	3,148	–	45,854
Accrued property tax	2,052	–	–	395	964	–	516	–	3,927
Due to other projects	–	–	–	–	–	11,832	–	–	11,832
Total current liabilities	92,200	36,380	1,078	4,698	12,610	25,911	16,415	–	189,292
Total liabilities	752,680	938,724	24,499	67,805	216,672	254,696	215,933	–	2,471,009
NET ASSETS									
Invested in capital assets net of related debt and deferred credits	(456,151)	(448,684)	242	(18,224)	(55,732)	–	(88,330)	–	(1,066,879)
Restricted	445,570	54,711	3,914	14,434	38,031	5,561	10,877	200,350	773,448
Unrestricted	16,578	769	1,278	(814)	(1,934)	–	5,357	–	21,234
Total net assets	$ 5,997	$ (393,204)	$ 5,434	$ (4,604)	$ (19,635)	$ 5,561	$ (72,096)	$ 200,350	$ (272,197)

The accompanying notes are an integral part of these combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

(Amounts in thousands)

	Year Ended June 30, 2002								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Operating revenues:									
Sales of electric energy	$ 175,374	$ –	$ 2,352	$ –	$ –	$ –	$ 50,258	$ –	$ 227,984
Sales of transmission services	–	77,573	–	4,251	11,593	–	–	–	93,417
Total operating revenues	175,374	77,573	2,352	4,251	11,593	–	50,258	–	321,401
Operating expenses:									
Operations and maintenance	24,434	17,231	2,232	1,434	1,276	–	43,010	–	89,617
Depreciation	26,701	19,633	4	1,406	4,502	–	10,072	–	62,318
Amortization of nuclear fuel	8,259	–	–	–	–	–	–	–	8,259
Decommissioning	11,872	–	–	–	–	–	3,113	–	14,985
Total operating expenses	71,266	36,864	2,236	2,840	5,778	–	56,195	–	175,179
Operating income (loss)	104,108	40,709	116	1,411	5,815	–	(5,937)	–	146,222
Non operating revenues (expenses):									
Investment income	43,301	4,961	187	707	1,915	18,036	724	10,561	80,392
Debt expense	(53,867)	(62,901)	(840)	(4,362)	(13,476)	(17,242)	(11,013)	–	(163,701)
Unrealized loss on derivative commitment	–	(36,675)	–	–	–	–	–	–	(36,675)
Net non operating revenues (expenses)	(10,566)	(94,615)	(653)	(3,655)	(11,561)	794	(10,289)	10,561	(119,984)
Income loss before extraordinary items	93,542	(53,906)	(537)	(2,244)	(5,746)	794	(16,226)	10,561	26,238
Loss on refunding	–	(1,538)	(735)	–	–	–	(274)	–	(2,547)
Net increase (decrease) in net assets	93,542	(55,444)	(1,272)	(2,244)	(5,746)	794	(16,500)	10,561	23,691
Net assets - beginning of year	5,997	(393,204)	5,434	(4,604)	(19,635)	5,561	(72,096)	200,350	(272,197)
Net withdrawals by participants	–	–	–	–	–	–	–	(37,126)	(37,126)
Net assets - end of year	$ 99,539	$ (448,648)	$ 4,162	$ (6,848)	$ (25,381)	$ 6,355	$ (88,596)	$ 173,785	$ (285,632)

The accompanying notes are an integral part of these combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

(Amounts in thousands)

	Year Ended June 30, 2001 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Operating revenues:									
Sales of electric energy	$ 172,176	$ –	$ 2,086	$ –	$ –	$ –	$ 50,006	$ –	$ 224,268
Sales of transmission services	–	57,310	–	6,428	16,185	–	–	–	79,923
Total operating revenues	172,176	57,310	2,086	6,428	16,185	–	50,006	–	304,191
Operating expenses:									
Operations and maintenance	24,713	14,999	2,273	1,176	1,510	–	52,190	–	96,861
Depreciation	26,926	19,637	4	1,406	4,497	–	10,019	–	62,489
Amortization of nuclear fuel	8,212	–	–	–	–	–	–	–	8,212
Decommissioning	12,358	–	–	–	–	–	3,113	–	15,471
Total operating expenses	72,209	34,636	2,277	2,582	6,007	–	65,322	–	183,033
Operating income (loss)	99,967	22,674	(191)	3,846	10,178	–	(15,316)	–	121,158
Non operating revenues (expenses):									
Investment income	41,535	9,139	421	788	2,244	18,406	2,159	12,767	87,459
Debt expense	(59,009)	(68,979)	(482)	(4,484)	(13,942)	(17,667)	(11,314)	–	(175,877)
Unrealized loss on derivative commitment	–	(14,020)	–	–	–	–	–	–	(14,020)
Net non operating revenues (expenses)	(17,474)	(73,860)	(61)	(3,696)	(11,698)	739	(9,155)	12,767	(102,438)
Income loss before extraordinary items	82,493	(51,186)	(252)	150	(1,520)	739	(24,471)	12,767	18,720
Loss on refunding	–	(3,175)	–	–	–	–	–	–	(3,175)
Loss on defeasance	–	–	–	(1,234)	(3,402)	–	–	–	(4,636)
Cumulative effect of accounting change	–	(41,100)	–	–	–	–	–	–	(41,100)
Net increase (decrease) in net assets	82,493	(95,461)	(252)	(1,084)	(4,922)	739	(24,471)	12,767	(30,191)
Net assets - beginning of year	(76,496)	(297,743)	5,686	(3,520)	(14,713)	4,822	(47,625)	35,581	(394,008)
Net advances from participants	–	–	–	–	–	–	–	152,002	152,002
Net assets - end of year	$ 5,997	$ (393,204)	$ 5,434	$ (4,604)	$ (19,635)	$ 5,561	$ (72,096)	$ 200,350	$ (272,197)

The accompanying notes are an integral part of these combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended June 30, 2002								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Cash flows from operating activities:									
Receipts from participants	$ 184,347	$ 82,431	$ 2,568	$ 4,064	$ 10,737	$ –	$ 52,134	$ –	$ 336,281
Payments to operating managers	(24,762)	(16,959)	(270)	(1,168)	(1,037)	–	(43,887)	–	(88,083)
Other receipts (payments)	27	(622)	(6)	153	148	–	1,069	–	769
Net cash flow from operating activities	159,612	64,850	2,292	3,049	9,848	–	9,316	–	248,967
Cash flows from noncapital financing activities:									
Advances from participants	–	–	–	–	–	–	–	(37,126)	(37,126)
Cash flows from capital and related financing activities:									
Additions to plant, net	(15,751)	–	–	78	3	–	(103)	–	(15,773)
Debt interest payments	(37,413)	(45,191)	(1,101)	(3,947)	(12,363)	(15,547)	(10,542)	–	(126,104)
Proceeds from sale of bonds	–	65,236	25,336	–	–	–	135,548	–	226,120
Payment for defeasance of revenue bonds	–	(76,183)	(28,816)	–	–	–	(124,828)	–	(229,827)
Principal payments on debt	(45,105)	(19,210)	(650)	(1,710)	(3,895)	(6,200)	(7,480)	–	(84,250)
Payment for bond issue costs	–	(1,301)	(627)	–	–	–	(1,530)	–	(3,458)
Net cash used for capital and related financing activities	(98,269)	(76,649)	(5,858)	(5,579)	(16,255)	(21,747)	(8,935)	–	(233,292)
Cash flows from investing activities:									
Interest received on investments	11,713	4,390	249	706	2,001	18,299	727	10,576	48,661
Purchases of investments	(516,905)	(36,833)	(7,024)	(1,682)	(6,415)	(8,857)	(23,561)	(68,403)	(669,680)
Proceeds from sale/maturity of investments	423,713	53,262	8,354	2,258	8,140	12,288	19,762	92,432	620,209
Net cash provided by (used for) investing activities	(81,479)	20,819	1,579	1,282	3,726	21,730	(3,072)	34,605	(810)
Net increase (decrease) in cash and cash equivalents	(20,136)	9,020	(1,987)	(1,248)	(2,681)	(17)	(2,691)	(2,521)	(22,261)
Cash and cash equivalents at beginning of year	80,285	24,512	2,114	3,329	6,575	18	17,754	17,491	152,078
Cash and cash equivalents at end of year	$ 60,149	$ 33,532	$ 127	$ 2,081	$ 3,894	$ 1	$ 15,063	$ 14,970	$ 129,817
Reconciliation of operating income to net cash provided by operating activities:									
Operating income (loss)	104,108	40,709	116	1,411	5,815	–	(5,937)	–	146,222
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation	26,701	19,633	4	1,406	4,502	–	10,072	–	62,318
Decommissioning	11,872	–	–	–	–	–	3,113	–	14,985
Advances for capacity and energy	–	–	1,954	–	–	–	–	–	1,954
Amortization of nuclear fuel	8,259	–	–	–	–	–	–	–	8,259
Changes in assets and liabilities:									
Accounts receivable	47	–	33	–	371	–	1,168	–	1,619
Accounts payable and accruals	8,811	4,508	185	232	(840)	–	861	–	13,757
Other	(186)	–	–	–	–	–	39	–	(147)
Net cash provided by operating activities	$ 159,612	$ 64,850	$ 2,292	$ 3,049	$ 9,848	$ –	$ 9,316	$ –	$ 248,967

The accompanying notes are an integral part of these combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended June 30, 2001 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Cash flows from operating activities:									
Receipts from participants	$ 184,766	$ 54,465	$ 1,954	$ 6,566	$ 15,449	$ –	$ 48,465	$ –	$ 311,665
Payments to operating managers	(25,583)	(12,848)	(292)	(1,471)	(2,079)	–	(42,617)	–	(84,890)
Other receipts (payments)	1,376	15	(28)	–	(131)	–	–	–	1,232
Net cash flow from operating activities	160,559	41,632	1,634	5,095	13,239	–	5,848	–	228,007
Cash flows from noncapital financing activities:									
Advances from participants	–	–	–	–	–	–	–	152,002	152,002
Cash flows from capital and related financing activities:									
Additions to plant, net	(13,292)	–	–	5	(1,557)	–	(392)	–	(15,236)
Debt interest payments	(42,578)	(54,396)	(1,493)	(4,517)	(14,637)	(15,951)	(10,882)	–	(144,454)
Proceeds from sale of bonds	–	79,795	–	–	–	–	–	–	79,795
Payment for defeasance of revenue bonds	–	(88,117)	–	(12,780)	(35,265)	–	–	–	(136,162)
Principal payments on debt	(43,675)	(24,555)	(615)	(2,320)	(6,380)	(5,800)	(7,140)	–	(90,485)
Premium received on swap option agreement	–	7,900	–	–	–	–	–	–	7,900
Decommissioning fund	–	–	–	–	–	–	–	–	–
Payment of expenses for release of Debt Service Reserve Fund	–	–	–	–	–	–	(351)	–	(351)
Payment for bond issue costs	–	(1,158)	–	–	–	–	–	–	(1,158)
Net cash used for capital and related financing activities	(99,545)	(80,531)	(2,108)	(19,612)	(57,839)	(21,751)	(18,765)	–	(300,151)
Cash flows from investing activities:									
Interest received on investments	14,980	7,671	352	787	2,353	18,284	2,103	12,120	58,650
Purchases of investments	(397,828)	(64,123)	(6,507)	(6,447)	(10,032)	(1,304)	(54,462)	(239,191)	(779,894)
Proceeds from sale/maturity of investments	354,640	82,113	7,766	19,733	52,329	4,774	47,071	87,298	655,724
Net cash provided by (used for) investing activities	(28,208)	25,661	1,611	14,073	44,650	21,754	(5,288)	(139,773)	(65,520)
Net increase (decrease) in cash and cash equivalents	32,806	(13,238)	1,137	(444)	50	3	(18,205)	12,229	14,338
Cash and cash equivalents at beginning of year	47,479	37,750	977	3,773	6,525	15	35,959	5,262	137,740
Cash and cash equivalents at end of year	$ 80,285	$ 24,512	$ 2,114	$ 3,329	$ 6,575	$ 18	$ 17,754	$ 17,491	$ 152,078
Reconciliation of operating income to net cash provided by operating activities:									
Cash flows from operating activities:									
Operating income (loss)	$ 99,967	$ 22,674	$ (191)	$ 3,846	$ 10,178	$ –	$ (15,316)	$ –	$ 121,158
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation	26,926	19,637	4	1,406	4,497	–	10,019	–	62,489
Decommissioning	12,358	–	–	–	–	–	3,113	–	15,471
Advances for capacity and energy	–	–	1,950	–	–	–	–	–	1,950
Amortization of nuclear fuel	8,212	–	–	–	–	–	–	–	8,212
Changes in assets and liabilities:									
Accounts receivable	159	87	(32)	–	(371)	–	(876)	–	(1,033)
Accounts payable and accruals	13,031	(766)	(97)	(155)	(1,065)	–	8,938	–	19,886
Other	(94)	–	–	(2)	–	–	(30)	–	(126)
Net cash provided by operating activities	$ 160,559	$ 41,632	$ 1,634	$ 5,095	$ 13,239	$ –	$ 5,848	$ –	$ 228,007

The accompanying notes are an integral part of these combined financial statements.

Note 1 – Organization and Purpose

The Southern California Public Power Authority (the "Authority"), a public entity organized under the laws of the State of California, was formed by a Joint Powers Agreement dated as of November 1, 1980 pursuant to the Joint Exercise of Powers Act of the State of California. The Authority's participants consist of ten Southern California cities and one public district of the State of California. The Authority was formed for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The Joint Powers Agreement has a term of fifty years.

The Joint Powers Agreement authorizes the Authority to admit new members to the agreement. The cities of Cerritos of Los Angeles County, and San Marcos of San Diego County, have applied for membership under the agreement. In July 2001, the Authority adopted a policy to establish the criteria for admitting new members. The two cities met all the established criteria and became members to the agreement in July 2001.

The Authority has interests in the following projects:

Palo Verde Project – On August 14, 1981, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station ("PVNGS"), a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona, and a 6.55% share of the right to use certain portions of the Arizona Nuclear Power Project Valley Transmission System (collectively, the "Palo Verde Project"). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986, and January 1988, respectively.

Southern Transmission System Project – On May 1, 1983, the Authority entered into an agreement with the Intermountain Power Agency ("IPA"), to defray all the costs of acquisition and construction of the Southern Transmission System Project ("STS") which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles ("LADWP"), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project ("IPP").

Hoover Uprating Project – As of March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation ("USBR") on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover Uprating Project ("HU").

Mead-Phoenix and Mead-Adelanto Projects – As of December 17, 1991, the Authority entered into an agreement to acquire an interest in the Mead-Phoenix Project ("Mead-Phoenix"), a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project component, a 17.76% interest in the Mead Substation project component and a 22.41% interest in the Mead-Marketplace project component.

As of December 17, 1991, the Authority also entered into an agreement to acquire a 67.92% interest in the Mead-Adelanto Project ("Mead-Adelanto"), a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer of funds from the Multiple Project Fund (Note 5) and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto.

Multiple Project Fund – During fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately $600 million to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more, then unspecified, projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interests in Mead-Phoenix and Mead-Adelanto.

San Juan Project – Effective July 1, 1993, the Authority purchased a 41.80% interest in Unit 3 and related common facilities, of the San Juan Generating Station ("SJGS") from Century Power Corporation. Unit 3, a 488 megawatt unit, is one unit of a four-unit coal-fired power generating station in New Mexico.

Projects' Stabilization Fund – In fiscal 1997, the Authority authorized the creation of a Projects' Stabilization Fund. Deposits may be made into the fund from budget under-runs, after authorization of individual participants, and by direct contributions from the participants. Participants have discretion over the use of their deposits within SCPPA project purposes. This fund is not a project-related fund; therefore, it is not governed by any project Indenture of Trust.

Participant Ownership Interests – The Authority's participants may elect to participate in the projects. As of June 30, 2002 and 2001, the members have the following participation percentages in the Authority's interest in the projects:

Participants	Palo Verde	Southern Transmission System	Hoover Uprating	Mead-Phoenix	Mead-Adelanto	San Juan
City of Los Angeles	67.0%	59.5%		24.8%	35.7%	
City of Anaheim		17.6%	42.6%	24.2%	13.5%	
City of Riverside	5.4%	10.2%	31.9%	4.0%	13.5%	
Imperial Irrigation District	6.5%					51.0%
City of Vernon	4.9%					
City of Azusa	1.0%		4.2%	1.0%	2.2%	14.7%
City of Banning	1.0%		2.1%	1.0%	1.3%	9.8%
City of Colton	1.0%		3.2%	1.0%	2.6%	14.7%
City of Burbank	4.4%	4.5%	16.0%	15.4%	11.5%	
City of Glendale	4.4%	2.3%		14.8%	11.1%	9.8%
City of Pasadena	4.4%	5.9%		13.8%	8.6%	
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Authority has entered into power sales and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output or transmission service, as applicable. The participants are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service. The contracts cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding. The contracts expire as follows:

Palo Verde Project	2030
Southern Transmission System	2027
Hoover Uprating Project	2018
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
San Juan Project	2030

The members participate in the Projects' Stabilization Fund by making deposits to the fund at their discretion.

Magnolia Project – In February 2001, the Authority approved the planning agreement for a new generating plant that will be constructed on an existing site of two decommissioned plants owned by the City of Burbank Water and Power. This new, natural gas-fueled generating unit would be a 240-MW combined cycle unit. Five existing members of the Authority, as well as the two new members, have expressed an interest in participating in the planning phase of the project. The cost of the project is estimated to be $250 to $300 million.

Application for licensing the project is being reviewed by the California Energy Commission ("CEC") who has committed to issue the final staff assessment late this year.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Authority are presented in conformity with generally accepted accounting principles applicable to governmental utilities. The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority also complies with Financial Accounting Standards Board ("FASB") statements which do not conflict with GASB pronouncements. The Authority is not subject to regulation by either of these regulatory bodies.

On July 1, 2001, the Authority adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt –** This component of net assets consists of (a) capital assets, (b) net of accumulated depreciation and (c) unamortized debt expenses, reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of Invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- **Restricted –** This component consists of net assets on which constraints are placed as to their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.
- **Unrestricted net assets –** This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34 had no significant effect on the basic financial statements except for the change from the indirect method to the direct method of reporting cash flows and the reclassification of costs recoverable, deferred credits and funds due to participants to net assets in accordance with the Statement. The financial statements for the year ended June 30, 2001 were reclassified to conform to the adoption of Statement No. 34.

The Authority's interests in generation and transmission projects are jointly-owned with other utilities. Each joint plant participant, including the Authority, is responsible for financing its share of construction and operating costs. The financial statements reflect the Authority's interest in each jointly-owned project.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant – The Authority's share of construction and betterment costs associated with PVNGS, STS, Mead-Phoenix, Mead-Adelanto and SJGS are included as utility plant. Depreciation expense is computed using the straight-line method based on the estimated service lives, principally thirty-five years for PVNGS, STS, Mead-Phoenix and Mead-Adelanto and twenty-one years for SJGS.

Nuclear Fuel – Nuclear fuel is amortized and charged to expense on the basis of actual thermal energy produced relative to total thermal energy expected to be produced over the life of the fuel. Under the provisions of the Nuclear Waste Policy Act of 1982, the federal government assesses each entity with nuclear operations, including the participants in PVNGS, $1 per megawatt hour of nuclear generation. The Authority records this charge as a current year expense. See Note 7 for information about spent nuclear fuel disposal.

Nuclear Decommissioning – Decommissioning of PVNGS is expected to commence subsequent to the year 2024. The total cost to decommission the Authority's interest in PVNGS is estimated to be $104.9 million in 1998 dollars ($402.2 million in 2022 dollars, assuming a 6% estimated annual inflation rate). This estimate is based on an updated site specific study prepared by an independent consultant in 1998. The Authority is providing for its share of the estimated future decommissioning costs over the remaining life of the nuclear power plant through annual charges to expense which amounted to $11.9 and $12.4 million in fiscal 2002 and 2001, respectively. The decommissioning liability is included as a component of accumulated depreciation and was $159.9 and $148.0 million at June 30, 2002 and 2001, respectively.

The Authority contributes to external trusts set up in accordance with the Arizona Nuclear Power Plant participation agreement and Nuclear Regulatory Commission requirements. As of June 30, 2002, decommissioning funds totaled approximately $106.0 million, including approximately $1.3 million of interest receivable.

In February 2002, the independent consultant issued a preliminary report of costs for decommissioning PVNGS. The total costs under this study are estimated at $1.97 billion and the Authority's share of the costs is $116.6 million in 2002 dollars. This preliminary report was used by the Authority in recording decommissioning expense for the year ended June 30, 2002.

Demolition and Site Reclamation – Demolition and site reclamation of SJGS, which involves restoring the site to a "green" condition is projected to commence subsequent to the year 2014. Based upon the most recent study performed by an independent engineering firm, the Authority's share of the estimated demolition and site reclamation costs is $18.7 million in 1992 dollars. The Authority is providing for its share of the estimated future demolition costs over the remaining life of the power plant through annual charges to expense of $3.1 million. The demolition liability is included as a component of accumulated depreciation and totaled $28.0 and $24.9 million at June 30, 2002 and 2001, respectively.

As of June 30, 2002, the Authority has not billed participants for the cost of demolition nor has it established a demolition fund.

Investments – Investments include United States Government and governmental agency securities and repurchase agreements which are collateralized by such securities. These investments are reported at fair value and changes in unrealized gains and losses are recorded in the statement of revenues, expenses and changes in fund net assets. Gains and losses realized on the sale of investments are generally determined using the specific identification method.

The Bond Indentures for the six projects and the Multiple Project Fund require the use of trust funds to account for the Authority's receipts and disbursements. Cash and investments held in these funds are restricted to specific purposes as stipulated in the Bond Indentures.

Advances for Capacity and Energy – Advance payments to the United States Bureau of Reclamation for the uprating of the 17 generators at the Hoover Power Plant are included in advances for capacity and energy. These advances are being reduced by the principal portion of the credits on billings to the Authority for energy and capacity.

Cash and Cash Equivalents – Cash and cash equivalents include cash and investments with original maturities of 90 days or less.

Unamortized Debt Expenses – Debt premiums, discounts and issue expenses are deferred and amortized to expense over the lives of the related debt issues. Losses on refunding related to bonds redeemed by refunding bonds are amortized over the shorter of the life of the refunding bonds or the remaining term of bonds refunded. Losses on early extinguishment of debt are recognized immediately.

Arbitrage Rebate – The unused proceeds from the issuance of Multiple Project Revenue Bonds have been invested in taxable financial instruments. The excess of interest income over expense associated with the bonds, if any, is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

At June 30, 2002, cumulative savings due to the rebate calculation amounted to $13.1 million. As a result, the Multiple Project Fund has recorded liabilities of $3.5 million and $9.6 million to the Mead-Phoenix Project and Mead-Adelanto Projects, respectively.

In March 2001, the Authority made rebate payments to the IRS of $.5 million for the 1996 Subordinate Refunding Series A and B issues of the Palo Verde Project, and $1.6 million for the 1991 Subordinate Refunding Series A issue of the Southern Transmission System Project, respectively. The next rebate payment to the IRS for these issues, if any, is due in fiscal year 2006.

Revenues – Revenues consist of billings to participants for the sales of electric energy and transmission service in accordance with the participation agreements. Generally, revenues are fixed at a level to recover all operating and debt service costs over the commercial life of the property.

In September 1998, the Palo Verde participants approved a board resolution authorizing the Authority to bill the participants $65 million annually through June 30, 2004 to pay for increased debt service costs as a result of a refunding completed in October 1997. In addition, the participants resolved to transfer any overbillings, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Palo Verde reserve account. Amounts on deposit in the reserve account are intended to be used to enhance the competitiveness of the Palo Verde Project, at the discretion of the board of directors. Funds held in the reserve account as a result of this resolution totaled $34.8 million and $25.7 million as of June 30, 2002 and 2001, respectively.

Debt Service Reserve Fund – In December 2000, the Authority approved the release of $18.0 million from the Debt Service Reserve Fund of the San Juan Unit 3 Project after bondholders of the 1993 Series A issue agreed to the Authority's obtaining a surety bond to replace the released funds. Nine million of the released funds was used to reduce debt service billings to the participants during the year.

In March 2001, the Authority approved the release of $11.1 million in the Southern Transmission System Senior Lien Debt Service Reserve Account after the bondholders agreed that a surety bond will be held in lieu of the funds released. The funds released were used to reduce participants' billings for the year by $4.6 million for operations and maintenance, and $6.5 million for debt service.

San Juan Coal Agreements – On October 17, 2000, an agreement was reached on the principles of a new long-term fuel sourcing and pricing plan between the participants of SJGS and its coal supplier. The agreement authorizes the supplier to develop an underground longwall mine to replace production from two existing surface mines. To terminate the existing agreement, the Authority is required to make a $10.1 million payment on December 31, 2002; the present value of which was $9.9 million at June 30, 2002. During the year, the Authority expensed $0.3 million which represents the increase in the net present value of its share of the payment. The new underground mine will result in significantly reduced costs of coal supplied to SJGS through 2017, the term of the new contract.

Reclassifications – Certain prior period amounts have been reclassified to conform to the current presentation.

NOTE 3: Investments

The Authority's investment function operates within a legal framework established by Sections 6509.5 and 53600 et. Seq. of the California Government Code, Indentures of Trust, instruments governing financial arrangements entered into by the Authority to finance and operate Projects and the Authority's Investment Policy.

Eligible securities and general limitations are derived from each Project's Indenture of Trust for the issuance of senior and subordinate lien bonds. Additional limitations are derived from the Government Code and the Authority's evolving investment practices.

The operative Indentures of Trust in which securities are authorized for investment purposes relate to the Hoover Uprating Project Bonds, the San Juan Project Bonds, the Palo Verde Project Bonds, the Southern Transmission System Project Bonds, the Mead-Phoenix Project Bonds, the Mead-Adelanto Project Bonds and the Multiple Project Fund Bonds. Authorized investments for the Projects' Stabilization Fund are set forth in a resolution approved by the Board in 1996.

Eligible securities include: United States Treasury Securities which are bonds or other obligations which are secured by the full faith and credit of the United States of America; Federal Agency Obligations which have the full financial backing of the U.S. Government; Government Sponsored Enterprise Obligations which are created by acts of Congress to provide liquidity for selected lending programs targeted by Congress; Repurchase Agreements which are collateralized loan contracts where the seller includes a written agreement to repurchase the securities at a later date for a specified amount; Negotiable Certificates of Deposit which are deposit liabilities issued by a nationally or state-chartered bank, a savings of a federal association or by a state licensed branch of a foreign bank which has a short-term ratings of at least "A-1" by S&P and a at least "P-1" by Moody's; Banker's Acceptances, a short term draft or bill of exchange guaranteed for payment at face value to the holder of the instrument on its maturity date, which has a short-term rating of at of at least "A-1" by S&P and a at least "P-1" by Moody's; Commercial Paper, a short-term unsecured promissory note issued by non-financial or financial firms with a rating of "A-1" by S&P and "P-1" by Moody's; Medium Term Notes rated "A" or better and only those issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States; Equity-Linked Notes which are categorized as medium-term corporate notes and are subject to the constraints set forth in the Government code.

Deposits, consisting of cash and Shares of Beneficial Interest-Money Market Fund deposits are carried at cost.

Investments at June 30, 2002 and 2001 are as follows:

	June 30, 2002								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Federal agencies	$ 304,433	$ 44,247	$ 3,972	$ 1,815	$ 5,015	$ 7,435	$ 16,668	$ 156,067	$ 539,652
U.S. government securities	290,244	15,094	–	–	–	–	–	13,104	318,442
Guaranteed investment contracts	–	40,412	–	9,209	24,906	240,149	13,524	–	328,200
Repurchase agreements	–	6,559	–	–	–	–	–	–	6,559
Money market investment account	3,389	10,656	105	254	422	1	903	3,088	18,818
Medium term notes	4,500	–	–	–	–	–	–	–	4,500
Cash	96	38	22	12	12	–	20	1,031	1,231
Total	602,662	117,006	4,099	11,290	30,355	247,585	31,115	173,290	1,217,402
Restricted investments	528,985	83,474	2,861	9,209	26,461	247,584	16,052	158,320	1,072,946
Nonrestricted investments	13,528	–	1,111	–	–	–	–	–	14,639
Cash and cash equivalents	60,149	33,532	127	2,081	3,894	1	15,063	14,970	129,817
Total	602,662	117,006	4,099	11,290	30,355	247,585	31,115	173,290	1,217,402

	June 30, 2001								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Federal agencies	$ 287,195	$ 41,636	$ 5,278	$ 3,610	$ 4,895	$ –	$ 28,661	$ 174,240	$ 545,515
U.S. government securities	204,069	20,437	–	–	–	–	–	19,766	244,272
Guaranteed investment contracts	–	50,261	–	9,014	27,023	251,014	–	–	337,312
Repurchase agreements	–	6,559	–	–	–	–	–	–	6,559
Money market investment account	6,846	5,144	2,088	472	2,807	18	1,230	1,820	20,425
Medium term notes	–	–	–	–	–	–	–	–	–
Cash	92	34	26	12	14	–	22	3,953	4,153
Total	498,202	124,071	7,392	13,108	34,739	251,032	29,913	199,779	1,158,236
Restricted investments	400,346	99,559	5,278	9,779	28,164	251,014	12,159	182,288	988,587
Nonrestricted investments	17,571	–	–	–	–	–	–	–	17,571
Cash and cash equivalents	80,285	24,512	2,114	3,329	6,575	18	17,754	17,491	152,078
Total	498,202	124,071	7,392	13,108	34,739	251,032	29,913	199,779	1,158,236

NOTE 4: Derivative Instruments

In June 1998, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for *Derivative Instruments and Hedging Activities.* SFAS No. 133 requires companies to record derivatives on the balance sheet as assets and liabilities, and measure those instruments at fair value. This statement, as amended, became effective for the Authority's financial statements at the beginning of fiscal 2001. The Authority's derivative instruments are summarized below:

Swaption/2000 Swap – In February 2001, the Authority entered into a transaction whereby it sold an option ("the swaption") on a floating-to-fixed interest rate swap. The swaption, if exercised, will effectively convert the $125 million Subordinate Refunding Series A bonds issued by the Southern Transmission System Project in May 2000, into a synthetic fixed-rate debt obligation with a coupon of 4.25%. The floating rate on the bonds is priced at 60% of one-month LIBOR. In exchange for the right to exercise the swaption, the counterparty paid the Authority a one-time up front option premium amount of $7.9 million. The swaption may be exercised on any date beginning April 1, 2002 through July 1, 2022. Prior to this date, the agreement cannot be canceled.

On April 1, 2002, the counterparty exercised its option and the Authority is now obligated to pay floating for fixed payments on the 2000 Subordinate Refunding Series A bonds based on the terms described above. The floating rate at June 30, 2002 was 1.11%.

2001 Swap – In June 2001, the Authority entered into an interest Rate Swap Agreement with a third party for the purpose of hedging against interest rate variations arising from the issuance of the 2001 Subordinate Refunding Series A of the Southern Transmission System Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the third party on a fixed rate basis of 4.24%, and for the third party to make reciprocal payments based on a variable rate basis (1.10% and 2.40% at June 30, 2002 and 2001, respectively). The reset dates of the variable rate occur weekly and the rate for a reset date will be the rate determined by the Bond Market Association Municipal Swap Index ("BMA") minus 40 basis points.

The counterparty has the option to terminate the agreement on or after July 1, 2006 should the BMA index average more than 7% over a consecutive 180-day period. The bonds mature in 2021.

1991 Swap – In fiscal year 1991, the Authority entered into an Interest Rate Swap Agreement with a third party for the purpose of hedging against interest rate fluctuations arising from the issuance of 1991 Subordinate Refunding Series Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the third party on a fixed rate basis at 6.38%, and for the third party to make reciprocal payments based on a variable rate basis (1.10% and 2.50% at June 30, 2002 and 2001, respectively). The bonds mature in 2019.

Market information related to the above derivative instruments follows:

	Estimated Fair Value June 30	
	2002	2001
Swaption/2000 Swap	$ (18,976)	$ (4,800)
2001 Swap	(4,296)	(1,240)
1991 Swap	(76,423)	(56,980)
Total	$ (99,695)	$ (63,020)

At July 1, 2000, the estimated fair value of the Authority's derivative instrument was $41.1 million. This was recorded by the Authority in fiscal year 2001 as a Cumulative effect of change in accounting. The change in estimated value of the Authority's derivative instruments, $36,675 and $14,020 for the fiscal years ended June 30, 2002 and 2001, respectively, were recorded as an unrealized loss on derivative commitment.

NOTE 5: Long-Term Debt

Long-term debt outstanding at June 30, 2002 consists of revenue bonds and subordinate refunding bonds due serially in varying annual amounts through 2023. The revenue bonds were issued to finance the purchase and construction of the Authority's share of each of the projects. The subordinate refunding bonds were issued to advance refund specified revenue bonds. The Multiple Project Revenue Bonds were issued on August 1, 1989 to finance acquisition of ownership interests in one or more projects expected to be undertaken within five years after issuance. In October 1992, $103.6 million and $285.0 million of these bonds were transferred to the Mead-Phoenix Project and the Mead-Adelanto Project, respectively.

In accordance with the bond indentures, the revenue bonds and subordinate refunding bonds are special, limited obligations of the Authority. The bonds issued by each project are payable solely from and secured solely by interests in the issuing project as follows:

- Proceeds from the sale of bonds
- All revenues, incomes, rents and receipts attributable to the issuing project and related interest on securities held under the bond indentures
- All funds established by the indentures

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the power and transmission sales agreements with the participants.

At the option of the Authority, all outstanding Power Project Revenue Bonds and Subordinate Refunding Term Bonds are subject to redemption prior to maturity, except for the 1996 Subordinate Refunding Series A and portions of the 1989A, 1992A, 1992B and 1993A Series bonds issued by the Palo Verde Project; the 1996 Subordinate Refunding Series A bonds issued by the Southern Transmission System; and, a total of $153,500,000 of the outstanding Multiple Project Revenue Bonds.

Mead-Phoenix and Mead-Adelanto Projects – In July 2000, funds held in escrow in the Mead-Phoenix and Mead-Adelanto Projects were used to redeem $12.5 million and $35.3 million, respectively, of outstanding debt for these projects, including interest and call premiums on redemption. The transaction resulted in a net loss for accounting purposes of $1.2 million and $3.4 million for Mead-Phoenix and Mead-Adelanto, respectively, consisting primarily of the write-off of unamortized debt discounts and the related call premiums.

Refunding Bonds

Hoover Uprating Project Refunding – In December 2001, the Authority issued $24.7 million par value Hoover 2001 Refunding Series A Bonds ("refunding bonds") to refund $28.1 million of Hoover 1991 Refunding Series A Bonds ("refunded bonds"). The remaining amount of $3.4 million was funded through the release of funds from the debt service accounts related to the refunded bonds. The refunded bonds were redeemed on January 1, 2002. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $9.3 million and is expected to result in present value savings of approximately $2.9 million based on an average cost of 4.74% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $5.0 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refunding and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $4.3 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $0.7 million extraordinary loss in fiscal year 2002.

San Juan Unit 3 Project Refunding – In May 2002, the Authority issued $125.3 million par value SJ 2002 Refunding Series A Bonds ("refunding bonds") to refund $118.1 million of SJGS 1993 Revenue Series A Bonds ("refunded bonds"). A portion of the proceeds of the 2002 Bonds will be used for the purpose of refunding certain of the 1993 Bonds at their first call date (i.e., January 1, 2003) in order to achieve debt service savings and defeasing at maturity the 1993 Bonds that mature on January 1, 2003 (together, the "Refunded Bonds"). The refunded bonds are expected to be redeemed on January 1, 2003. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $8.9 million and is expected to result in present value savings of approximately $4.0 million based on an average cost of 5.33% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $7.3 million, consisting primarily of the write-off of unamortized debt expense and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $7.0 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $0.3 million extraordinary loss in fiscal year 2002.

Subordinate Refunding Bonds

Southern Transmission Project Refunding – In May 2002, the Authority issued $63.9 million par value STS 2002 Subordinate Refunding Series A Bonds ("refunding bonds") to refund $73.3 million of STS 1992 Subordinate Refunding Series A Bonds ("refunded bonds"). The remaining amount of $9.4 million was funded through the release of funds from the debt service accounts related to the refunded bonds. The refunded bonds are expected to be redeemed on July 1, 2002. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $4.7 million and is expected to result in present value savings of approximately $3.4 million based on an average cost of 4.97% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $9.7 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refundings and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of subordinate refunding bonds. The loss allocated to the new bonds of $8.2 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $1.5 million extraordinary loss in fiscal year 2002.

In June 2001, the Authority issued $79.8 million par value STS 2001 Subordinate Refunding Series A Bonds to refund $85 million of STS 1992 Subordinate Refunding Series A Bonds. The remaining amount of $12.2 million was funded through the release of funds from the debt service accounts related to the refunded bonds. The refunded bonds are expected to be redeemed on July 1, 2002. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $30.6 million and is expected to result in present value savings of approximately $9.5 million based on an assumed cost of 4.24% on the new bonds.

Although the refunding bonds currently bear interest at a variable weekly rate (1.10% at June 30, 2002 and 2.40% at June 30, 2001), the Authority entered into an interest rate swap agreement to fix the interest rate at 4.24% (see Note 4). The Authority can elect to change the interest rate period of the bonds, with certain limitations. The bondholders have the right to tender the bonds to the tender agent on any business day. The Authority has entered into a Standby Agreement with a commercial bank to provide liquidity for the refunding bonds. The Standby Agreement expires June 13, 2005, unless extended or terminated, as defined.

This transaction resulted in a net loss for accounting purposes of $14.5 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refundings and discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of subordinate refunding bonds. The loss allocated to the new bonds was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $3.2 million extraordinary loss in fiscal year 2001.

Advance Refundings – In prior years, the Authority established irrevocable escrow trusts with the proceeds from issuance of subordinate refunding bonds. These investments will be used to call specified revenue bonds at scheduled redemption dates

Prior Year Defeasance of Debt – In prior years, the Authority defeased specified revenue bonds by placing the proceeds from issuance of subordinate refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The trust investments and related liability for defeased bonds are not included in the Authority's financial statements. At June 30, 2002 and 2001, $790.6 million and $599.2 million, respectively, of revenue bonds outstanding are considered defeased.

A summary of changes in long-term debt follows:

(Amounts in thousands)

	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Total
June 30, 2001	$ 853,955	$ 1,067,705	$ 28,745	$ 73,625	$ 233,070	$ 247,900	$ 204,560	$ 2,709,560
Principal payments	(45,105)	(19,210)	(650)	(1,710)	(3,895)	(6,200)	(7,480)	(84,250)
Bonds refunded	–	(73,275)	(28,095)	–	–	–	(118,050)	(219,420)
Refunding bonds issued	–	63,940	24,685	–	–	–	125,330	213,955
	$ 808,850	$ 1,039,160	$ 24,685	$ 71,915	$ 229,175	$ 241,700	$ 204,360	$ 2,619,845
Unamortized debt-related costs	(131,901)	(189,057)	(3,505)	(8,195)	(23,497)	(12,235)	(2,085)	(370,475)
Long-term debt due within one year	(47,395)	(26,695)	(905)	–	–	(6,600)	(1,600)	(83,195)
June 30, 2002	$ 629,554	$ 823,408	$ 20,275	$ 63,720	$ 205,678	$ 222,865	$ 200,675	$ 2,166,175

Unamortized debt-related costs are as follows (amounts in thousands):

	Loss on refunding	(Premium) Discount	Total
Unamortized debt-related costs:			
Palo Verde Project	$ 66,913	$ 64,988	$ 131,901
Southern Transmission System Project	136,621	52,436	189,057
Hoover Uprating Project	4,105	(600)	3,505
Mead-Phoenix Project	5,694	2,501	8,195
Mead-Adelanto Project	15,658	7,839	23,497
Multiple Project Fund	–	12,235	12,235
San Juan Project	6,857	(4,772)	2,085
	$ 235,848	$ 134,627	$ 370,475

The scheduled debt service for following years ending June 30, are as follows. The variable rates used for the PV 1996 Subordinate Refunding Series B and C, and the STS 1996 Subordinate Refunding Series B were the rates at June 30, 2002 of 1.10% and 1.125%, respectively. The variable rates are set by the bond remarketing agent on a weekly basis based on economic conditions and bond ratings.

(Amounts in thousands)

		Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Total
2003	Principal	$ 47,395	$ 26,695	$ 905	$ –	$ –	$ 6,600	$ 1,600	$ 83,196
	Interest	33,783	41,367	1,063	3,889	12,232	14,884	10,398	117,616
2004	Principal	49,190	30,035	1,190	–	–	7,100	8,390	95,904
	Interest	31,170	40,586	1,030	3,889	12,232	14,396	10,166	113,469
2005	Principal	51,800	28,490	1,230	–	–	7,600	8,805	97,925
	Interest	28,797	39,972	987	3,889	12,232	13,864	9,781	109,522
2006	Principal	–	31,390	1,275	–	–	8,100	9,160	49,925
	Interest	28,797	39,431	943	3,889	12,232	13,297	9,399	107,988
2007	Principal	–	34,145	1,315	3,040	10,135	–	9,570	58,205
	Interest	28,797	38,863	893	3,748	11,763	13,297	8,954	106,315
2008-2012	Principal	79,230	167,060	7,415	19,355	59,065	62,000	55,775	449,900
	Interest	141,726	165,588	3,603	15,923	49,961	56,044	36,557	469,402
2013-2017	Principal	149,700	257,300	9,220	25,595	79,955	26,700	85,920	634,390
	Interest	137,861	113,347	1,677	8,495	28,269	37,000	16,956	343,605
2018-2022	Principal	431,535	333,625	2,135	23,925	80,020	123,600	25,140	1,019,980
	Interest	–	48,316	28	1,818	6,080	11,668	1,262	69,172
2023-2024	Principal	–	130,420	–	–	–	–	–	130,420
	Interest	–	1,067	–	–	–	–	–	1,067
	Principal	$ 808,850	$ 1,039,160	$ 24,685	$ 71,915	$ 229,175	$ 241,700	$ 204,360	$ 2,619,845
	Interest	$ 430,931	$ 528,537	$ 10,224	$ 45,540	$ 145,001	$ 174,450	$ 103,473	$ 1,438,156
Effective costs of capital		5.57%	5,37%	4.16%	5.60%	5.71%	6.99%	4.74%	

Fair Value – The fair value of the Authority's long-term debt (including the current portion) is approximately $2.6 billion and $2.7 billion at June 30, 2002 and 2001, respectively. Management has estimated fair value based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, net of the effect of a related interest rate swap agreement.

NOTE 6: Net Assets

As a result of the adoption of Statement No. 34, costs recoverable, deferred credits and funds due to participants were reclassified to net assets in accordance with the Statement.

Costs Recoverable – Billings to participants are designed to recover "costs" as defined by the power sales and transmission service agreements. The billings are structured to systematically provide for debt service requirements, operating funds and reserves in accordance with these agreements. The difference between billings and the Authority's expenses calculated in accordance with generally accepted accounting principles are deferred as costs recoverable in future periods and are presented as net assets. It is intended that the deferred amounts will be recovered through billings for repayment of principal on the related bonds.

Deferred Credits – During fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately $600 million to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more, then unspecified, projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interests in Mead-Phoenix and Mead-Adelanto. The remaining funds are held in the Multiple Project Fund. Deferred credits represents the accumulated net earnings of the fund.

Funds due to Participants – In fiscal 1997, the Authority authorized the creation of a Projects' Stabilization Fund. Deposits may be made into the fund from budget under-runs, after authorization of individual participants, and by direct contributions from the participants. Moneys deposited by the participants to this Fund are used to pay for Authority costs as directed by the participants. This fund is not a project-related fund, therefore, it is not governed by any project Indenture of Trust. Funds due to Participants represents the net amount of contributions and net earnings on the invested contributed funds.

Net assets are comprised of the following (amounts in thousands):

	(Amounts in thousands)				
	June 30, 2000	**Fiscal 2001 Activity**	**June 30, 2001**	**Fiscal 2002 Activity**	**June 30, 2002**
GAAP items not included in billings to participants:					
Depreciation of plant	$ 627,254	$ 62,489	$ 689,743	$ 62,318	$ 752,061
Nuclear fuel amortization	19,548	–	19,548	–	19,548
Decommissioning expense	110,797	7,467	118,264	6,982	125,246
Amortization of bond discount, debt issue costs, and loss on refundings	463,917	44,672	508,589	41,399	549,988
Interest expense	45,986	18,780	64,766	(835)	63,931
Unrealized loss on derivative commitments	–	55,120	55,120	36,675	91,795
Bond requirements included in billings to participants:					
Operations and maintenance, net of investment income	(114,839)	(29,645)	(144,484)	(31,091)	(175,575)
Costs of acquisition of capacity	(17,281)	(529)	(17,810)	(959)	(18,769)
Billings to amortize costs recoverable	(180,410)	(50,410)	(230,820)	(50,410)	(281,230)
Reduction in debt service billings due to transfer of excess funds	72,098	9,012	81,110	8,910	90,020
Principal repayments	(537,708)	(77,871)	(615,579)	(77,868)	(693,447)
Other	(54,951)	4,612	(50,339)	(7,457)	(57,796)
	434,411	43,697	478,108	(12,336)	465,772
Multiple Project Fund Net Assets	(4,822)	(739)	(5,561)	(794)	(6,355)
Projects' Stabilization Fund Net Assets	(35,581)	(164,769)	(200,350)	26,565	(173,785)
	$ 394,008	$ (121,811)	$ 272,197	$ 13,435	$ 285,632

NOTE 7: Commitments and Contingencies

Deregulation – In September 1996, Assembly Bill 1890 (the "Bill") was given final approval. The Bill, which provides for broad deregulation of the power generation industry in California, requires the participation of the state's investor-owned utilities. Consumer-owned utilities can participate on a voluntary basis but must hold public hearings as part of their decision making process. The Bill, which was supported by the Authority, authorizes the collection of a transition charge for generation when a consumer-owned utility opens its service area to competition and participates in the independent transmission system established by the legislation. The Bill also mandates the collection of a public benefit charge from all electric utility customers in the state. Although these funds (approximately 2.85% of gross revenues) must be spent on renewable resources, conservation, research and development, or low income rate subsidies, the governing authority of each consumer-owned utility controls actual expenditures. Due to instability in power open markets in California, in 2001 direct access ceased.

Nuclear Spent Fuel and Waste Disposal – Under the Nuclear Waste Policy Act, the Department of Energy ("DOE") was to develop the facilities necessary for the storage and disposal of spent fuel and to have the first such facility in operation by 1998. That facility was to be a permanent repository, but the DOE has announced that such a repository now cannot be completed before 2010. There is ongoing litigation with respect to the DOE's ability to accept spent nuclear fuel; however, no permanent resolution has been reached.

Arizona Public Service ("APS"), the operating agent, has capacity in existing fuel storage pools at PVNGS which, with certain modifications, could accommodate all fuel expected to be discharged from normal operation of PVNGS through 2002, and believes it could augment that wet storage with new facilities for on-site dry storage of spent fuel for an indeterminate period of operation beyond 2002, subject to obtaining any required governmental approvals. The Authority currently estimates that it will incur $23.6 million (in 1998 dollars) over the life of PVNGS for its share of the costs related to the on-site interim storage of spent nuclear fuel. During fiscal 1999, the Authority expensed approximately $7 million for on-site interim nuclear fuel storage costs related to nuclear fuel burned prior to fiscal 1999. The Authority began accruing for these costs in fiscal 1999 as a component of fuel expense as the fuel is burned. APS currently believes that spent fuel storage or disposal methods will be available for use by PVNGS to allow its continued operation beyond 2002.

In July 2002, a measure was signed into law designating the Yucca Mountain in the state of Nevada, as the nation's high-level nuclear waste repository. This means the Department of Energy ("DOE") can now file a construction and operation plan for Yucca Mountain with the Nuclear Regulatory Commission ("NRC"). The DOE expects that the Yucca Mountain site would be open by 2010, a date which many believe is highly optimistic. The State of Nevada and its congressional delegation have vowed to kill the project through the NRC process or through legal challenges.

The Price-Anderson Act (the "Act") requires that all utilities with nuclear generating facilities share in payment for claims resulting from a nuclear incident. The Act limits liability from third-party claims to $8.9 billion per incident. Participants in the Palo Verde Nuclear Generating Station currently insure potential claims and liability through commercial insurance with a $200 million limit; the remainder of the potential liability is covered by the industry-wide retrospective assessment program provided under the Act. This program limits assessments to $88 million for each licensee for each nuclear incident occurring at any nuclear reactor in the United States; payments under the program are limited to $10 million, per incident, per year. Based on the Authority's 5.91% interest in Palo Verde, the Authority would be responsible for a maximum assessment of $5.2 million, limited to payments of $591,000 per incident, per year.

Other Legal Matters – The Authority is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material effect on the financial position of the Authority or the respective separate projects.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Debt Service Fund	Debt Service Reserve Fund	Decom-missioning Trust Fund	Deposit Installment	Deposit Reserve Installment	Escrow Account	General Reserve Account	Issue Account	Operating Account	Reserve & Contingency	Revenue Fund	Total
Balance at June 30, 2001	$ 25,204	$ 34,616	$ 90,597	$ 6,161	$ 1,000	$ 534,951	$ –	$ 50,783	$ 22,239	$ 62,224	$ 570	$ 828,345
Additions:												
Investment earnings	343	1,495	4,547	19	32	2,312	–	801	5	2,116	43	11,713
Discount on investment purchases	379	65	–	26	–	7,636	–	–	979	836	–	9,921
Distribution of investment earnings	(720)	(1,560)	–	(45)	(32)	–	–	(801)	(984)	(2,987)	7,129	–
Revenue from power sales	–	–	–	–	–	–	–	–	–	–	184,347	184,347
Distribution of revenue	34,541	–	8,004	–	–	–	102,297	7,168	34,294	5,929	(192,233)	–
Transfer from escrow fund for principal and interest payments	14,069	–	–	–	–	(23,620)	–	9,551	–	–	–	–
Other	–	13	–	–	–	50,411	(102,297)	51,909	266	(446)	144	–
Total	48,612	13	12,551	–	–	36,739	–	68,628	34,560	5,448	(570)	205,981
Deductions:												
Construction expenditures	–	–	–	–	–	–	–	–	–	7,627	–	7,627
Operating expenditures	–	–	3	–	–	–	–	–	22,704	2,058	–	24,765
Debt issue cost	–	–	–	–	–	–	–	309	–	–	–	309
Fuel costs	–	–	–	–	–	–	–	–	8,696	–	–	8,696
Payment of principal	13,190	–	–	–	–	–	–	31,915	–	–	–	45,105
Interest paid – non-escrow	5,921	–	–	–	–	–	–	31,492	–	–	–	37,413
Premium and interest paid on investment purchases	–	–	41	–	–	–	–	–	–	14	–	55
Payment of principal and interest paid – escrow	14,069	–	–	–	–	–	–	9,551	–	–	–	23,620
Total	33,180	–	44	–	–	–	–	73,267	31,400	9,699	–	147,590
Balance at June 30, 2002	$ 40,636	$ 34,629	$ 103,104	$ 6,161	$ 1,000	$ 571,690	$ –	$ 46,144	$ 25,399	$ 57,973	$ –	$ 886,736

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. The June 30, 2001 balance of the escrow funds have been modified from previous year financial statements in order to capture the entire off balance sheet escrows. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $96 and $92 held in the revolving fund at June 30, 2002 and 2001, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Debt Service Fund	Escrow Fund	General Reserve Fund	Issue Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2001	$ 965	$ 111,333	$ 1,913	$ 91,131	$ 5,633	$ 10	$ 210,985
Additions:							
Investment earnings	10	–	477	3,825	59	19	4,390
Discount on investment purchases	59	7,383	–	1,416	104	37	8,999
Distribution of investment earnings	(76)	–	(18)	(5,237)	(163)	5,494	–
Revenue from transmission sales	–	–	–	–	–	82,431	82,431
Distribution of revenue	11,207	–	60,411	–	10,813	(82,431)	–
Transfer to escrow fund required by refunding bonds issuance	–	11,192	–	(11,192)	–	–	–
Bond proceeds	–	64,991	–	245	–	–	65,236
Other transfers	–	(5,024)	(62,323)	67,347	5,560	(5,560)	–
Total	11,200	78,542	(1,453)	56,404	16,373	(10)	161,056
Deductions:							
Operating expenses	–	–	–	–	17,581	–	17,581
Debt issue cost	–	–	–	1,301	–	–	1,301
Payment of principal	–	–	–	19,210	–	–	19,210
Interest paid	–	–	–	45,191	–	–	45,191
Payment of principal and interest – escrow bonds	–	–	–	5,024	–	–	5,024
Total	–	–	–	70,726	17,581	–	88,307
Balance at June 30, 2002	$ 12,165	$ 189,875	$ 460	$ 76,809	$ 4,425	$ –	$ 283,734

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. The June 30, 2001 balance of the escrow funds have been modified from previous year financial statements in order to capture the entire off balance sheet escrows. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $38 and $34 held in the revolving fund at June 30, 2002 and 2001, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
HOOVER UPRATING PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Escrow Fund	General Reserve Fund	Advance Payment Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2001	$ 774	$ 3,084	$ –	$ 2,230	$ –	$ 1,302	$ –	$ 7,390
Additions:								
Investment earnings	11	134	45	78	–	24	1	293
Distribution of investment earnings	(11)	(134)	–	(78)	–	(24)	247	–
Revenue from power sales	–	–	–	–	–	–	2,568	2,568
Distribution of revenues	2,637	–	–	–	–	178	(2,816)	(1)
Bond proceeds	58	–	25,278	–	–	–	–	25,336
Transfer to escrow funds required by refunding bond issuance	(478)	(3,084)	3,538	(607)	630	–	–	(1)
Transfer from escrow fund principal and interest payments	28,861	–	(28,861)	–	–	–	–	–
Total	31,078	(3,084)	–	(607)	630	178	–	28,195
Deductions:								
Operating expenses	–	–	–	–	–	270	–	270
Payment of principal	650	–	–	–	–	–	–	650
Interest paid	1,101	–	–	–	–	–	–	1,101
Payment for defeasance of refunding bonds	28,861	–	–	–	–	–	–	28,861
Bond issue costs	–	–	–	–	627	–	–	627
Other	–	–	–	–	–	26	–	26
Total	30,612	–	–	–	627	296	–	31,535
Balance at June 30, 2002	$ 1,240	$ –	$ –	$ 1,623	$ 3	$ 1,184	$ –	$ 4,050

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $22 and $26 held in the revolving fund at June 30, 2002 and 2001, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-PHOENIX PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Total
Balance at June 30, 2001	$ 1,129	$ 5,212	$ 5,915	$ 160	$ 889	$ (211)	$ 13,094
Additions:							
Investment earnings	36	136	435	3	95	1	706
Distribution of investment earnings	(315)	486	(435)	–	(106)	370	–
Transmission revenue	–	–	–	–	–	4,064	4,064
Distribution of excess construction fund	78	–	–	–	–	–	78
Refunds from operating manager	–	–	–	62	–	–	62
Transfer of revenues	–	3,210	–	1,112	–	(4,322)	–
Payments from Western Area Power Administration	–	–	–	–	–	95	95
Other transfers	(928)	–	–	–	928	3	3
Total	(1,129)	3,832	–	1,177	917	211	5,008
Deductions:							
Construction expenditures	–	–	–	–	–	–	–
Operating expenses		–	–	1,168	–	–	1,168
Payment of principal		1,710	–	–	–	–	1,710
Interest paid		3,947	–	–	–	–	3,947
Other disbursements	–	–	–	–	–	–	–
Total	–	5,657	–	1,168	–	–	6,825
Balance at June 30, 2002	$ –	$ 3,387	$ 5,915	$ 169	$ 1,806	$ –	$ 11,277

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $12 held in the revolving fund at both June 30, 2002 and 2001.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-ADELANTO PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Surplus Fund	Total
Balance at June 30, 2001	$ 469	$ 11,462	$ 16,267	$ 149	$ 6,329	$ 37	$ 5	$ 34,718
Additions:								
Investment earnings	33	283	1,196	3	482	4	–	2,001
Distribution of investment earnings	(144)	1,523	(1,196)	–	(485)	307	(5)	–
Transmission revenue	–	–	–	–	–	10,755	–	10,755
Distribution of revenues	–	9,840	–	1,274	–	(11,114)	–	–
Distribution of excess construction funds	142	–	–	–	–	–	–	142
Other transfers	(500)	–	–	–	500	11	–	11
Total	(469)	11,646	–	1,277	497	(37)	(5)	12,909
Deductions:								
Interest paid	–	12,363	–	–	–	–	–	12,363
Construction expenditures	–	–	–	–	–	–	–	–
Payment of principal	–	3,895	–	–	–	–	–	3,895
Operating expenses	–	–	–	1,037	–	–	–	1,037
Total	–	16,258	–	1,037	–	–	–	17,295
Balance at June 30, 2002	$ –	$ 6,850	$ 16,267	$ 389	$ 6,826	$ –	$ –	$ 30,332

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $12 and $14 held in the revolving fund at June 30, 2002 and 2001, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MULTIPLE PROJECT FUND
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Proceeds Account	Debt Service Account	Earnings Account	Total
Balance at June 30, 2001	$ 247,728	$ 17	$ 3,287	$ 251,032
Additions:				
Investment earnings	18,177	1	121	18,299
Transfer of investment earnings to earnings account	(19,717)	–	19,717	–
Transfer to debt service account	–	21,730	(21,730)	–
Total	(1,540)	21,731	(1,892)	18,299
Deductions:				
Interest paid	–	15,547	–	15,547
Payment of principal	–	6,200	–	6,200
Total	–	21,747	–	21,747
Balance at June 30, 2002	$ 246,188	$ 1	$ 1,395	$ 247,584

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SAN JUAN PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Escrow Account	Cost of Issuance Fund	Operating Fund	Reserve & Contigency Fund	General Reserve Fund	Revenue Fund	Total
Balance at June 30, 2001	$ 8,732	$ –	$ –	$ –	$ 4,257	$ 7,298	$ 9,532	$ –	$ 29,819
Additions:									
Investment earnings	235	–	–	1	101	212	152	26	727
Distribution of investment earnings	(235)	–	–	(1)	(101)	(165)	(152)	654	–
Revenue from power sales	–	–	–	–	–	–	–	52,134	52,134
Distribution of revenues	17,820	–	–	–	41,804	2,100	–	(61,724)	–
Bond proceeds	306	13,524	120,828	890	–	–	–	–	135,548
Proceeds from insurance claim	3	–	–	–	1,082	–	–	–	1,085
Transfer to escrow funds required by refunding bond issuance	(4,691)	–	4,691	–	–	–	–	–	–
Other transfers	–	–	–	–	–	–	(8,910)	8,910	–
Total	13,438	13,524	125,519	890	42,886	2,147	(8,910)	–	189,494
Deductions:									
Operating expenses	–	–	–	–	43,887	–	–	–	43,887
Construction expenditures	–	–	–	–	–	103	–	–	103
Debt issue cost	–	–	691	839	–	–	–	–	1,530
Payment of principal	7,480	–	–	–	–	–	–	–	7,480
Interest paid	10,542	–	–	–	–	–	–	–	10,542
Premium and interest on investment purchases	–	–	–	–	–	–	–	–	–
Total	18,022	–	691	839	43,887	103	–	–	63,542
Balance at June 30, 2002	$ 4,148	$ 13,524	$ 124,828	$ 51	$ 3,256	$ 9,342	$ 622	$ –	$ 155,771

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. The June 30, 2001 balance of the escrow funds have been modified from previous year financial statements in order to capture the entire off balance sheet escrows. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $20 and $22 held in the revolving fund at June 30, 2002 and 2001, respectively.

City of Anaheim

Customers - Retail 109,677
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 1,092,419
Purchased 2,504,825
Total 3,597,244
Total Revenues (000s) $310,485*
Operating Costs (000s) $279,537*

*Unaudited FY Ended 2002

City of Azusa

Customers Served 14,845
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 261,396
Sales
Retail 235,625
Total Revenues (000s) $21,632*
Operating Costs (000s) $26,640*

*Unaudited

City of Banning

Customers Served 10,472
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 144,140
Total 144,140
Total Revenues (000s) $16,344*
Operating Costs (000s) $16,059*

*Unaudited

City of Burbank

Customers Served 51,655
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 96,647
Purchased 1,053,971
Total 1,150,618
Total Revenues (000s) $178,598*
Operating Costs (000s) $181,467*

*Unaudited

City of Cerritos

Customers Served 15,091
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 32*
Purchased . . . . To be determined
Total Revenues (000s) .0
Operating Costs (000s) 0

*Estimated allocation from Magnolia Power Plant scheduled to be online June 2004

City of Colton

Customers Served 17,690
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 336,893
Total 336,893
Total Revenues (000s) $34,826*
Operating Costs (000s) $28,643*

*Unaudited

City of Glendale

Customers Served 82,845
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 277,327
Purchased 1,502,705
Total 1,780,032
Total Revenues (000s) $203,411*
Operating Costs (000s) $177,423*

*Unaudited

Imperial Irrigation District

Customers Served 95,066
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 1,038,774
Purchased 1,750,984
Total 2,789,758
Total Revenues (000s) $209,203
Operating Costs (000s) $189,132

Los Angeles Department of Water and Power

Customers Served 1,467,203
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 12,714,100
Purchased 13,988,000
Total 26,702,100
Total Revenues (000s) $2,233,681
Operating Costs (000s) $1,865,324

City of Pasadena

Customers Served 58,400
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 106,183
Purchased 1,046,104
Total 1,152,287
Total Revenues (000s) $132,207*
Operating Costs (000s) $127,536**

*Net of Wholesale Sales
*Non-Operating Revenues $15,643
**Includes:
Non-Operating Expenses $17,820

City of Riverside

Customers Served 96,503
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 312,100
Purchased 2,284,900
Total 2,597,000
Total Revenues (000s) $217,741*
Operating Costs (000s) $219,020*

*Unaudited

City of San Marcos

Customers Served 0
Power Generated and Purchased 0
Total Revenues (000s) 0
Operating Costs (000s) 0

City of Vernon

Customers Served 2,059
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated .621
Purchased 1,384,905
Total 1,349,526
Total Revenues (000s) $99,535
Operating Costs (000s) $99,419

Southern California Public Power Authority
225 S. Lake Avenue, Suite 1410, Pasadena, CA 91101
Tel: (626) 793-9364 Fax: (626) 793-9461 Website: www.scppa.org